EUROPE'S BUSINESS NEWSPAPER

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EC ELECTIONS
A mandate which goes beyond 1992
Page 18

World News

Nakasone resignation clears way for Uno

The resignation from Japan's ruling Liberal Democratic Party of former Prime Minister Yasuhiro Nakasone appears to clear the way for Mr Sosuke Uno, the Foreign Minister, to take over as premier.

Mr Nakasone said he felt a "strong responsibility" for the Recruit bribery scandal, the subject of an 11-month official investigation which ended with unexpected suddenness yesterday. Page 20

Wright set to go

Republicans waging an ethics crusade in the US House of Representatives are this week expected to complete the rout of the Democratic leadership by forcing the resignation of Jim Wright, the Speaker. Page 20

Alfonsín fixes rate

President Raúl Alfonsín of Argentina announced a series of emergency economic measures, including a return to a single exchange rate fixed and regulated by the government. Page 4

Chief to be chosen

Members of Hong Kong's executive and legislative councils meet today to try to agree on a post-1997 model for the selection of the territory's chief executive. Page 7

300 Turks expelled

Around 300 ethnic Turks arrived in Istanbul after being expelled from Bulgaria following attacks on ethnic protestors by the police and army which left an unknown number of the protestors dead and injured. Page 4

Palme charges

Christer Pettersson, a 42-year-old Swede with a record of crime and drug abuse, was charged with the premeditated murder of Prime Minister Olof Palme.

Syrian tribute

Syria has paid a warm tribute to the US Administration, after criticism of Israel voiced last week by Mr James Baker, Secretary of State. Page 7

Jalalabad siege

An Afghan military spokesman reported at least 460 people were killed in a new surge of fighting around the besieged eastern cities of Jalalabad and Khost.

Chemicals attack

Four bombs exploded in northern Italy causing damage but no injuries, in an apparently co-ordinated attack on the country's biggest chemicals group, Montedison Spa, by extremist ecologists.

Submarine claims

Details of the alleged suppression of a damaging report which inquired into alleged irregularities in the purchase of German submarines for the Indian Navy were published in India. Page 4

UK dock strike likely

Britain's main transport union seems certain to call a national dock strike to start next week if port employers fail to get a court injunction to prevent the action. Page 12

Port Sudan to close

Sudan announced that it will close its only seaport, Port Sudan on the Red Sea, to departing travellers for the month of June in a move to combat smuggling.

Cyclone kills 42

A cyclone that hit India's north-east coast killed 42 people, injured hundreds and left tens of thousands homeless in Bengal and Orissa states.

Missiles found

Cypriot police have found two SAM-7 ground-to-air missiles and their launchers near the runway of Larnaca international airport.

Hong Kong auction

Land at a Hong Kong government auction sold at higher prices than expected despite predictions that political turmoil in neighbouring China would send property prices down.

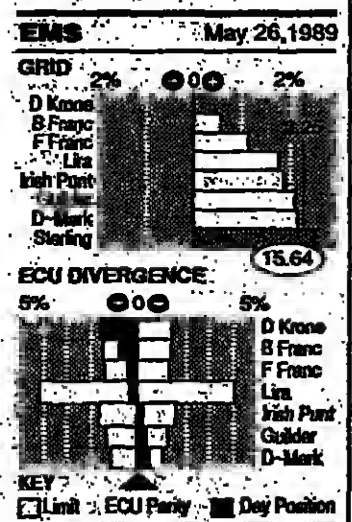
Business Summary

Underwriters pull out of Hong Kong rights issue

UNREST in China led to the abandonment of one of Hong Kong's biggest fundraising exercises when underwriters withdrew from a HK$3.86bn ($501m) one-for-one rights issue launched seven weeks ago by Hopewell Holdings, a prominent property and construction group. Page 24

EUROPEAN Monetary System: The Italian lira improved quite sharply against its EMS partners last week; the Bank of Italy was active buying both D-Marks and French francs.

The D-Mark's fall against the dollar early in the week helped the lower placed members of the system to improve, because funds are switched from the D-Mark to the dollar to a greater extent than with other currencies.



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies. Currencies, Page 35

STOCKBROKERS, company secretaries and registrars are mounting a rebellion which is likely to block London stock exchange proposals for computerising the tortuous and costly paper-based process of settling and registering share bargains. Page 20

SUN Microsystems, world leader in computer workstations, has licensed its technology to Toshiba of Japan, leading Japanese personal computer manufacturer. Background, Page 21

GENCOR, South Africa's second largest mining house, is to raise R1.5bn ($555m) in new equity capital in anticipation of several new mining and energy projects. Page 24

CHASE MANHATTAN added significantly to its credit card business by purchasing a $1.1bn portfolio of Visa and Mastercard accounts from Independence One Bank of South Dakota, the largest ever deal of its kind. Page 23

THE International Stock Exchange granted permission for a new kind of warrant to be listed in London, thus enhancing the product's appeal to certain types of investors. Page 24

JAPAN'S four largest non-life insurance companies made record profits thanks to an increase in policy sales and good weather, which limited the growth in claims. Page 24

CHARLES Haughey, Irish Prime Minister, opened the new Irish Futures and Options Exchange (Ifox). Page 24

CONTINENTAL, West German tyre company, is planning a further expansion in its international activities through the purchase of a majority stake in Nivis Tyre of Sweden, a move which will roughly double its share of the Scandinavian market. Page 24

PREMIUM Income at Allianz, leading West German insurance group, rose by 13 per cent to DM29.2bn ($14.7bn) boosted by beneficial exchange rate factors. Page 24

THE DOLLAR was confined to a narrow range in quiet trading. The US unit was fixed in Frankfurt at DM2.0101 after closing earlier in Tokyo at DM2.0130. Page 35

SHARE prices closed lower in Tokyo where the Nikkei Index ended 31 points down at 34,160.83 from 34,191.62. Wall St was closed for the Memorial Day holiday and London for the Spring Bank Holiday.

Bush wins Nato support for arms cuts proposals

By Robert Mauthner, Peter Riddell and David White in Brussels

PRESIDENT George Bush yesterday won broad support from Nato allies for far-reaching proposals to reduce conventional arms in Europe presented at the heads of government summit in Brussels.

Mr Bush's new plan, only decided upon in the last 10 days, is intended to challenge Mr Mikhail Gorbachev, the Soviet leader, by proposing a 20 per cent cut in US forces in Europe and inviting Moscow to make much more drastic cuts to reach the same level of 275,000 foreign-based troops.

As a further conciliatory move, both towards the Soviet Union and allies like West Germany and Britain, Mr Bush announced the end of the "no exceptions" rule on restricting western technology exports to the Soviet Union. Several members of the Cocom, the vetting agency for such sales, have been pressing the US to ease the rule imposed after the Soviet invasion of Afghanistan in 1979.

Mr Bush also proposed a sharply accelerated timetable for the conventional arms talks in Vienna, seeking agreement within the next year and implementation by 1992 to 1993. This is four years earlier than the Soviets had proposed and would bring forward the time when Nato might engage in talks on short-range nuclear missiles.

After outlining his plan an enthusiastic Mr Bush said the US was going "on the offence with a proposal that is bold, and tests whether the Soviet Union will move towards balance, or whether they insist on retaining an unacceptable conventional force imbalance."

His proposals were generally welcomed by other Nato leaders. Chancellor Helmut Kohl of West Germany talked of a "far-sighted step with which he has once more impressively affirmed the US leadership." Mrs Margaret Thatcher, the British Prime Minister, said the initiative went "to the heart" of Soviet conventional arms superiority.

President François Mitterrand of France warmly welcomed the proposals, but both France and Britain expressed concern that reductions in Nato aircraft should not affect their fighters equipped to carry nuclear weapons.

Meanwhile, foreign ministers were expected to meet late into last night to resolve the deadlock over Nato policy over short-range nuclear missiles.

Without a breakthrough they will be unable to adopt the "comprehensive concept," laying down the framework for the alliance's future arms control and armaments policy.

The US asked its allies to join in preparing the proposal for formal presentation at the Vienna talks "at the earliest possible date."

The proposals broke unexpected new ground in bringing combat aircraft and helicopters within the scope of western proposals. Nato has so far resisted Warsaw Pact pressure to negotiate on air power, arguing that the issues were too complex. However, these negotiations would come only after agreement on targets for maximum numbers of tanks, artillery and troop carriers, the weapons which Nato considers most threatening.

In a bid to resolve Nato's bitterest split, Mr Bush said that the US was "not unwilling to negotiate on short-range missiles."

But he stressed that could be only after agreement was reached and after some implementation of conventional force reductions.

The main sticking points over short-range missiles have been the timing of negotiations and the question of whether all such weapons might eventually be scrapped, the so-called

Mr Bush and Mrs Thatcher before yesterday's summit started

Continued on Page 20
Summit news, Page 2

US trade policies under attack

By Peter Norman, Economics Correspondent

THE MAIN trading partners of the US are expected to launch a bitter attack on the country's trading policies and call into question Washington's commitment in the battle against inflation at top-level meetings in Paris this week.

The foreign, trade and finance ministers of the 24-nation Organisation for Economic Co-operation and Development tomorrow begin their annual ministerial meeting under the shadow of last week's US Super 301 decisions which singled out Japan for supposedly unfair trade practices under last year's US Trade Act.

Japan is the only OECD member state to have been accorded such treatment – the other two named countries being Brazil and India. However, the US decision to put four European Community countries – Italy, Greece, Spain and Portugal – on a special watch list for possible future action in the intellectual property area has propelled the Super 301 issue to the top of the agenda.

The idea that the US should resort to bilateral negotiations with supposedly unfair traders under the Trade Act has raised fears that the multilateral trading system and the rules of the General Agreement on Tariffs and Trade could be undermined.

Throughout the 1970s and 1980s, the industrialised countries that form the OECD consistently declared that their interests were best served by the maintenance of multilateral trade and support of Gatt.

Not for the first time, however, many of the US's trading partners see a fragile element of world economic co-operation threatened by the OECD's most important member country.

Because Super 301 decisions provide for three years of bilateral negotiations between the US and offending trading partners, it is feared that they could become a running sore in international trade relations with the ever present threat of encouraging the US Congress to increased protectionism.

Last week, Mr David de Pury, Switzerland's chief trade negotiator, said he feared that the Uruguay Round of multilateral

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China likely to dismiss Zhao as party chief

By Robert Thomson in Peking

DENG XIAOPING, China's paramount leader, has presented senior Communist party officials with evidence of alleged political crimes by Zhao Ziyang, who is widely expected to be dismissed as Communist party chief later this week.

Among the charges against Zhao is that of using the student protest movement which has swept the country to further his own political career.

The piling up of evidence against the party leader – including tapped telephone conversations – appears to reflect Deng's wish that the formal purging of Zhao have at least an appearance of unanimity and legality.

Criticism of Zhao at party meetings over the weekend included references to his "bourgeois tendencies" and to his departure from "collective leadership."

One document listed specific offences such as taking sick leave when martial law was announced on May 19, and praising the students in public speeches.

Other materials presented by Deng include pamphlets distributed by Zhao staff and colleagues to the students, which give details of the bitter internal struggle and highlight Zhao's support for the students.

The students in Peking's Tiananmen Square were erecting a makeshift Statue of Liberty early this morning in a gesture of continuing defiance. Their numbers had fallen to about 5,000, but tens of thousands of passers-by stopped to watch the work in progress.

Over the weekend, the protestors marched through the city with mocking portraits of Li Peng, the Prime Minister, in Nazi uniform.

Li Peng was with his family and military friends at a base in the Fragrant Hills to the west of Peking, near the summer palace where the last of China's emperors sought refuge from the seasonal heat.

It was appropriate that Li spent part of the weekend in the company of the military, as the People's Liberation Army (PLA) has virtually determined the outcome of this phase of China's political battle.

Deng is said to have panicked when he heard rumours of coup plans late last month, and ordered a crackdown, while attempting to build an alliance of retired, aged leaders to lead the struggle against Zhao.

Deng later told associates that he had been misinformed about the alleged coup, but was still reliant on sympathetic factions within the PLA and six elderly comrades.

Crucial to the success of the campaign has been Chen Yun, 83, an elderly economist and sometime antagonist of Deng, who told the paramount leader that "if we take one step back, we will have to take two steps."

Chen, who has disagreed with Zhao over economics and ideology, chaired a meeting on Friday of the Central Advisory Commission. The Commission has no formal power, but it gave the first public notice of the "secret plot" supposedly orchestrated by the party chief.

Zhao knew his career was over 10 days ago when he made a dramatic early morning call on students in Tiananmen Square and uttered the prophetic words: "We have come too late."

In part, he was apologising, but he was making the more important point that Deng and other elderly revolutionaries had won control of the country's fate. Zhao's visit is now cited as one of Zhao's "anti-party" activities.

It came as no surprise that Li Xiannian, the former president and the conservative leader of another informal advisory body, condemned the "very small number of people who plotted behind the scenes, fabricated rumours, instigated agitation and deliberately aggravated the situation."

Apart from staff in Zhao's office, that "small number of people" include his former secretary, Bao Tong, now the head of a political research institute which the elders have labelled as "counter-revolutionary."

Bao is blamed for inciting the students by leaking internal documents damaging to Li Peng and Deng Xiaoping, and for acting as a campaign manager for Zhao Ziyang.

One leaked document which incensed Deng and is blamed on Bao gave a point-by-point description of the arguments between Zhao and conservative leaders.

For the moment, the political struggle is nearing settlement, but the military infighting remains a volatile variable.

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Satisfying the urge for political change, Page 19

Public forces deputies to yield Supreme Soviet seat to Yeltsin

By Quentin Peel and Edward Mortimer in Moscow

THE SOVIET Congress of People's Deputies bowed to popular anger last night and elected Mr Boris Yeltsin to a seat in the new Supreme Soviet, reversing a decision taken only two days earlier.

All weekend, the newly-elected deputies had been inundated with telephone calls and cables, in Moscow especially but also from across the country, expressing dismay and confusion at the apparent determination of a majority in the Congress to stick to its old ideas and methods in debating and electing its officials.

The volte face followed another stormy day in the Soviet assembly, with Mr Mikhail Gorbachev facing angry criticism from reformers for his chairmanship, and the Communist Party bureaucracy, including the ruling Politburo and the KGB, coming in for outspoken attacks.

Failure to elect Mr Yeltsin, who won a landslide victory in the Soviet capital two months ago, and other Moscow-based radicals, to the Supreme Soviet, the country's new full-time parliament, was the key issue which threatened to trigger a popular revolt.

The former Moscow Communist Party chief, who won more than 6m votes in the election in spite of a hostile campaign by his former party colleagues, got the largest number of negative votes in the Congress on Saturday.

His demise was denounced at rallies in Moscow on Saturday and Sunday, and supporters called for a protest strike in the capital today.

Yet the obvious embarrassment of Mr Gorbachev and the party leadership was saved by the decision of a successful candidate to the Supreme Soviet – Mr Alexei Kazannick, from the Siberian city of Omsk – to withdraw in Mr Yeltsin's favour.

"Dissatisfaction with the election of the Supreme Soviet was mounting, and by tomorrow the consequences might have been unpredictable," Mr Yeltsin said.

"This indicates that the Congress is becoming more democratic and if this line continues there are more and more hopes that it will justify the aspirations linked with it."

Thousands of supporters were gathering last night in Moscow's Pushkin Square for an impromptu, and unsanctioned, demonstration in support of their hero.

The latest development followed a day of fresh revelations and a stormy battle over the election of Mr Gorbachev's close friend and nominee, Mr Anatoly Lukyanov, to be his first deputy president in the new parliament.

His confirmation only came after attacks from both progressives and nationalists for his shoddy organisation of the Congress and his part in approving what they called anti-democratic legislation on demonstrations and crimes against the state.

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Martin Sorrell, chief executive of WPP Group, found his unflappability served him well in his company's recent takeover bid for the Ogilvy Group, the world's fifth-largest advertising agency
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Bush plan for arms cuts gives West the initiative

By David White in Brussels

THE BUSH PLAN for cuts in conventional forces – more far-reaching than expected and involving a one-fifth rednction in US troop strength in Europe – manages to kill three birds with one stone:

1. It takes the US and its allies off the defensive in the initiative battle that began when Mr Mikhail Gorbachev announced deep cuts in Soviet manpower and armour at the United Nations in December. Nato has been pinned in its corner ever since.

2. It provides President Bush with a convenient way of appeasing Congress, where pressure has been mounting to cut back on the cost to the US of European defence.

3. As a by-product, it gives a signal to the West Germans and other Continental allies that, if the need for US nuclear warheads is open to question, then US troop levels in Europe are not sacrosanct either.

The initiative and the allies' positive reaction to it mark a change of context since the last Nato summit in March last year, which stated clearly that the US presence "must and will be maintained."

West Germany, where the bulk of US service personnel – some 245,000 – are based, warmly greeted the initiative. But a Bonn government spokesman, said the Soviet Union would have to go a long way towards reducing its strength before the substance of the US presence could be called into question.

Chancellor Helmut Kohl went out of his way at the summit to thank "our American friends" for their commitment. The US military presence, he told Allied leaders, would remain indispensable for Europe, as well as for the US itself.

The US plan takes the challenge of the Conventional Armed Forces in Europe (CFE) negotiations by the horns, by proposing an ultra-rspid agreement – six months to one year – and reductions by 1992-93. This is four years ahead of the deadline the Warsaw Pact has proposed.

It also makes an about-turn on previous Nato policy hy agreeing to include air power – land-based combat aircraft and helicopters – in the talks. The target would be 15 per cent below current Nato levels, which hy Nato's own figures, stand at 4,500 combat aircraft and 2,600 helicopters. This compares, again by Nato's reckoning, with Warsaw Pact totals of 8,250 and 3,700. The Warsaw Pact has proposed reducing numbers to 1,500 "strike" aircraft (excluding air defence fighters) and 1,700 combat helicopters. It also wants to cut Nato strength in carrier-based aircraft.

Up to now, Nato has argued that difficulties in counting and defining these weapons would bog down progress in other key areas.

Undsr the Bush proposals, future cuts in tanks, artillery and armoured troop carriers – the core of any potential invasion force – would still have to be agreed first. But the propsals ease the way for agreement by bridging the remaining gap on target numbers in these categories. Ceilings for artillery pieces would be from 16,500 (tbe Nato target) to 24,000 (the Warsaw Pact target), "depending on the resolution of definitional questions." The latest Warsaw Pact proposals coincided with Nato's on figures of 20,000 tanks for each side – a two-thirds cut for the Pact – and 28,000 troop carriers.

President Bush, strongly backed hy Mrs Margaraet Thatcher, the British Prime Minister, insisted that the equipment should be not only withdrawn hut destroyed, to stop Soviet equipment being massed behind the Ural mountains.

The third important switch in US policy is to bring troop levels into the discussions, proposing that the Soviet Union match a reduced US level of 275,000 troops ou foreign postings in Europe.

This would be a 19 per cent rednction on the current total of 340,000 US service personnel, including those assigned to the Sixth Fleet in the Mediterranean. The US says Moscow has 600,000 troops in Eastern Europe. Up to now the only troop proposals had come from the Warsaw Pact, suggesting a mntual limit of 350,000 stationed in Europe ontsids national boundaries.

The proposed US cut follows repeated demands in Congress to limit US spending on European defence, reckoned to be at least $100bn and by some estimates $160bn, out of a $300bn annual US defence budget.

These demands have recently focused on withdrawal of troops assigned to US intermediate-range missile bases, which are being eliminated under the 1987 INF treaty: some 9,000 for Pershing-2 missiles and 16,000 for Cruise missiles.

The figure can easily be brought up to 30,000 by including air force personnel attached to the US base at Torrejon, near Madrid, where the 401st Tactical Fighter Wing of nuclear-capable F-16 fighters is due in any case to move out.

The fighter wing has been cited as an obvious sacrifice the US could make.

President goes onto offensive

By Peter Riddell in Brussels

PRESIDENT George Bush could hardly hide his glee yesterday when he emerged from the Nato summit to tell reporters about his new conventional arms proposal.

Adopting his gung-ho ex-Yale baseball captain's style, he exclaimsd: "Here we go now, on the offence".

Mr Bush's exhilaration is understandable since he feels that at last the US has captured the initiative not only within the Western alliance but also from the Soviet Union. For all his denials of being engaged in a public relations battle, the president said his plan was intended to challenge Mr Mikhail Gorbachev and put him to the test.

Mr Bush's excitement reflects the speed with which the plan has been put together. With talks on conventional force reductions having started in Vienna as recently as March 9, the administration had believed it would be premature to make a radical revision so soon, despite detailed reservations.

But the pressure of events forced a change, only agreed in principle when the president met his defence and foreign policy advisers in Maine 10 days ago. Only then, the Defence Department presented ideas on conventional arms. Details only began to leak out as he left Washington for Rome

Domestically, the president has been stung by criticism he is being too reactive at a time of major changes. Internationally, he has been faced by the probability that divisions within the alliance would dominate the summit and mar his first trip to Europe as president. Then came the Soviet acceptance of the general Western negotiating position.

UK, W Germany soften positions on SNF

By Robert Mauthner, Diplomatic Correspondent

BOTH BRITAIN and West Germany yesterday softened their positions on the controversial subject of short-range nuclear weapons in Europe and appeared to be preparing the way to a possible compromise.

It was still not clear, however, whether an agreement could be reached during the two-day Nato summit meeting here.

Mrs Margaret Thatcher, the British Prime Minister, made clear that, on certain well-defined conditions, she was prepared eventually to envisage negotiations on the reduction of short-range nuclear forces (SNF), as proposed by the Soviet Union and West Germany.

Only one or two weeks ago, Mrs Thatcher was adamant that Britain would not accept the German demand for early negotiations with the Soviet Union on the reduction of SNF, let alone a "third zero", the jargon for the complete abolition of these tactical nuclear weapons.

Yesterday, she responded to the strenuous efforts being made by the US to find a compromise, by telling her 15 partners that Nato should not enter negotiations "unless and until" it was satisfied that tangible reductions of conventional weapons had been achieved.

This meant not only that SNF negotiations must be preceded by the conclusion of an agreement in Vienna on wide-ranging cuts in conventional forces, but also by the implementation of many of these reductions. As for the "third zero", Mrs Thatcher continued to insist that this remained unacceptable.

However, by the time it was agreed at lunchtime that a high-level working group should be set up to try to find a formula that would bridge the gap between the US and Britain, on the one side, and West Germany on the other, Mrs Thatcher had conceded at least that negotiations on reducing SNF could take place in principle if certain conditions were fulfilled.

The search for a compromise thus concentrated on whether the Germans were prepared to accept a formula which ruled out the complete abolition of SNF.

Mr Helmut Kohl, the West German Chancellor, also adopted a more flexible stand, which could open the door to a compromise. Mr Kohl had said, in a radio interview on the eve of the Nato meeting, that a third zero was conceivable in the abstract, but he appeared to rule it out in his opening speech at the summit.

"The Eastern superiority that we continue to face must be countered by means of military forces that reliably prevent any war, be it nuclear or conventional," he said. "We thus need, today and for the foreseeable future, an appropriate mix of conventional nuclear forces that are kept effective and in the requisite state."

That declaration seemed to recognise that any negotiations with the Soviet Union on SNF must leave some of these tactical nuclear weapons in place in Europe, at least in the short term. Mr Kohl also appeared to accept, in his statement that nuclear forces "must be kept effective and in a requisite state", that they must be modernised sooner or later, even if a final decision to manufacture and deploy them has been put off until 1992, under an earlier decision by Nato's defence ministers.

Both Mrs Thatcher and Mr Kohl warmly welcomed President George Bush's proposal to cut US troops in Europe by 30 per cent, though only a few months ago such a suggestion would probably have caused an outcry in the camp of the European members of Nato.

In the past, the smallest hint of a reduction in US forces has always been taken as a sign of a weakening of Washington's commitment to the defence of Europe.

Yesterday, however, Mrs Thatcher said the president's proposal went "to the heart of the the Soviet superiority in conventional arms."

Even so, the prime minister, like President François Mitterrand of France, emphasised that Nato should maintain its dual-capability aircraft, which can fire either conventional or nuclear warheads, and she also insisted that all the conventional weaponry to be cut by the Warsaw Pact should be destroyed and not just be withdrawn behind the Ural Mountains.

Mr Kohl, for his part, effusively congratulated Mr Bush on his "far-sighted step, with which he has once more impressively affirmed US leadership."

The West German leader clearly sees in the US president'a proposal a means to defuse some of tha domestic criticism that his government is not doing enough to promote disarmament, as well as making a possible compromise on SNF more palatable to German public opinion.

Diplomats at Vienna talks surprised

By Judy Dempsey in Vienna

NATO diplomats at the Vienna negotiations on Conventional Forces in Europe (CFE) were yesterday "very surprised" following new proposals made by President Bush at the Nato summit in Brussels for reducing conventional weapons.

At the same time, initial reactions by the Warsaw Pact to his unexpected proposals were welcomed.

Mr Bush's proposals go beyond those presented by Nato at the CFE talks last March which envisaged discussing three categories of weapons in the early phases of the CFE negotiations. These include tanks, artillery and armoured troop carriers.

Bnt yesterday, in what seems to be an attempt both to speed up the CFE talks and for Nato to regain the initiative, Mr Bush appeared more than willing to discuss three extra categories.

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OVERSEAS NEWS

Euro-election may determine Kohl's fate

Poll will serve as a test of the Bonn coalition's fortunes, David Marsh reports

WEST GERMAN voters in next month's European elections will have a hand not only in choosing the next Strasbourg parliament but in deciding how long Chancellor Helmut Kohl will remain in office.

With West Germany's ardour about Western Europe now considerably cooler than in the 1970s, the poll will serve above all as a test for the fortunes of the centre-right Bonn coalition.

After a string of regional election setbacks in the past two years for the ruling Christian Democrats, another bad result for Mr Kohl would trigger a firm move on the right to unseat him before the next general election in December 1990.

On balance, however, barring a disaster of unforeseen proportions on June 18, Mr Kohl seems likely to slog on to the December 1990 battle.

After being regarded for years as European-minded people, the West Germans are taking an increasingly grudging view of the Community. Impatience, too, has come to the surface. The electoral turnout will serve as the best indicator of new German lack of interest in Europe. The turnout, 66 per cent in 1979 and 56.8 per cent in 1984, is widely expected to fall further, hnt may be increased by simultaneous municipal elections in the Saarland and Rhineland-Palatinate on the same day.

The election posters of the main parties are enlivened only by a new liking for below-the-belt polemics with rivals. The campaign slogan for the Christian Democrats strikes a fresh note by assuring voters that Mr Kohl guarantees policies "in the German interest".

For most of the three decades since the signing of the Treaty of Rome, it could he taken for granted that German and Western European interests coincided. Now, after German restiveness about EC policies on baar purity, tha environment, regional support, industrial composition and social legislation, this is no longer an automatic assumption. Like all other members, West Germany, the Community's principal paymaster, has to assure voters it is getting value for money.

Christian Democrat officials admit their more aggressive slogan has been prompted partly by the advocacy of "Germany first" by far-right groupings.

Under its leader, Mr Gerhard Frey, the German National Union is mounting a vehement campaign for the June poll.

The ultra-right is trying to feed on popular unease about growing German payments to Brussels. Under last year's Brussels package on financing programmes aimed to accompany the 1992 Single Market, the Federal Republic's annual bidgetary contributions are expected to rise by 1992 to around DM26bn from DM18bn last year.

The West Germans are worried their high standards in areas ranging from air pollution to labour-management cooperation will be watered down by European harmonisation.

In European monetary collaboration, Bonn is adopting a cautious stance in spite of the enthusiasm for monetary union of Mr Hans-Dietrich Genscher, the Foreign Minister. The popular worry appears to be that hard-won German stability will be frittered away by too much consorting with the poorer and less inflation-minded states of southern Europe.

German reservations about the post-1992 programme are underlined in the latest opinion polls sponsored by the European Commission. Based on surveys at the end of 1988 thronghont the Community, they show that only 10 per cent of Germans said they viewed "very hopefully" the 1992 date. This compared with 19 per cent for the replies of all member countries.

The proportion of Germans saying they thought their country benefited from Community membership was 55 per cent. Only three other members - Denmark (54 per cent), the UK (47 per cent) and Spain (27 per cent) - had lower scores. The proportions saying they thought their countries gained from the Community were 79 per cent in Ireland, 75 per cent in Italy, 69 per cent in Portugal, 68 per cent in the Netherlands and Greece, 67 per cent in Luxembourg, 64 per cent in Belgium and 58 per cent in France. The German reticence takes little account of tha nearly two thirds of the Federal Republic's foreign trade surplus of DM128bn last year which came from trade with the other 11 members of the Community.

Tha far right is treating the elections as a dress rehearsal for December 1990. Signs are that the movement is at last being seriously treated by the media.

One Bonn cabinet minister regrets that right wing sympathisers on their way to election rallies step through a barrage of abuse from "anti-Fascist" demonstrators.

Their elactoral importance lies less in whether or not the German nltras succeed in winning parliamentary representation in Strasbourg, far more in how many votes thay steal from the mainstream parties on the right.

Tha Christian Democrats and their Bavarian partner, the Christian Social Union, are trailing in the opinion polls with about 36 per cent support from the electorate, against 40 per cent for the opposition Social Democrats. This compares with the 44 per cent gained by the right in the January 1987 general election, when the Social Democrats scored only 37 per cent.

Pundits recall that the electoral showing of the far right National Democratic Party — even though it failed to win the 5 per cent necessary to propel it into the Bundestag — was crucial in ejecting the Christian Democrats from 20 years of power at the federal level in the general elections of 1969. On election night of June 18, the voters will be thinking less about Brussels in 1993, far more about Bonn in 1991.

For Länder, Brussels poses both threat and opportunity

By David Goodhart in Bonn

WEST Germany's 11 Länder (states) have always had thair reservations about tbe EC. Despite enormous sovereign power within tbe Federal Republic they are simply ignored by EC Law which recognises only unitary states.

This has meant the Federal Government usurping many Länder powers, for example in education or cultural matters, in its dealings with Brussels.

Tbe Länder have clawed back some rights to information and consultation from Bonn and have become adept at lobbying Brussels directly when they feel their interests are seriously threatened.

Mr Lothar Späth, Prime Minister of Baden-Württemberg, even enthuses about a "Europe of Regions".

His fast-growth region bas set up spacial relationships with Rhone-Alpes (France), Lombardy (Italy) and Catalonia (Spain) whicb be calls tbe "four motors of Europe".

He says that all four regions fear that thinking in Brussels is still too geared towards supporting old industries like coal, steel and agriculture, and not anough towards things like linking universities to industry.

This is not merely altruistic high-tech thinking, regions qualify for more R&D support from EC if they link in with others across national borders.

But from most Länder capitals, the EC has been seen as much of a threat as an opportunity, particularly since Brussels developed an interest in competition policy.

The Competition Directorate has been snooping around not only in Germany's national regional aid programme (drawn up and paid for by Länder and Federal Government) but also in the Länder's own supplementary funds.

Last year's so-called Bangemann-Sutherland compromise (named after the former Bonn Economics Minister and Brussels Competition Commissioner) was meant to reduce from 46 per cent to 38 per cent the proportion of the population living in areas qualifying for regional aid.

According to one exasperated Competition official in Brussels the fierce resistance of the Länder has kept the figure over 40 per cent.

These "European" issues will have virtually no effect on this month's European election but the running battles between the Länder and Brussels may well have contributed to a national cooling-off towards the EC.

The impact of EC initiatives is usually more mixed than the Laender let on. Take the case of Essen, the old industrial town on the Ruhr.

Being in a major coal-producing area, Essen will suffer from the EC's proposal to ban subsidies to the coal industry by 1993.

But that does not automatically crank-up hostility to the EC when the local Social Democrst politicians concentrate on blaming the Christian Democrats in Bonn for failing to stand up to Brussels.

On the positive aide, EC enthusiasts in Essen point to the fact that the town has just been granted Objective 2 status by the EC's European Regional Development Fund.

That means it classifies as an area of industrial decline requiring belp

However, Essen has recently stopped being covered by either national or Länder regional aid. This creates a complication.

Essen will receive no EC aid unless it also qualifies for aid within Germany but to put it back on the national list would furtber breach the 38 per cent compromise.

Some European issues will never make the stuff of election campaigns.

European go-ahead for new Boeing jet

By Raymond Snoddy

EUROPEAN aviation authorities have cleared the new long-range Boeing jumbo jet for commercial service while a programme of modifications is carried out.

The agreement has been reached following talks in Paris last week between Boeing and the aviation authorities of four countries — the UK, West Germany, France and the Netherlands — which have been pressing for improvements to the design of the 747-400.

The compromise means that the four European airlines which have ordered 747-400s, British Airways, Air France, Lufthansa and KLM Royal Dutch Airlines, will now be able to introduce the new aircraft on scheduled services this summer.

Boeing, the Seattle-based manufacturer, said in a statement yesterday that it had agreed to continue working with the European authorities to develop what it called satisfactory design and testing solutions to meet their requirements.

"In turn, the European authorities have agreed to accept 747-400s for commercial service from their respective airlines," Boeing said.

Britain's Civil Aviation Authority confirmed yesterday it was satisfied with the arrangement reached with Boeing regarding modifications to the building standard of the aircraft.

The Authority would in turn proceed with the certification of the 747-400 for introduction into UK service this summer.

British Airways has ordered 19 of the aircraft, which have a range of 8,000 miles without refuelling, at a cost of more than $2bn.

The first BA aircraft is due to make its maiden flight today at Everett, the Boeing production centre in Washington state, in preparation for delivery at the end of June.

The group of European aviation authories warned Boeing some months ago the 747-400 did not meet their latest safety standards and that airworthiness certificates might be withheld until changes were agreed.

Since the Turkish Airlines DC-10 crash in Paris in 1980, when a cargo door failed leading to decompression, the collapse of a flight floor and the severing of control wires, European aviation authorites have insisted on improved standards for new aircraft. They include strengthened upper deck flooring and greater separation of control wiring.

Boeing regards the 747-400 as a "derivative" of existing jumbos and therefore not a new aircraft automatically subject to the latest European safety standards. The 747-400 which has longer wings than existing jumbos will carry 410 passengers and be able to fly all the world's major air routes non-stop with the exception of northern Europe to Australia.

The 747-400 has already received airworthiness certification from the Federal Aviation Authority in the US and is already in service with North West Airlines of the US and Singapore Airlines.

Today Singapore Airlines launches the first scheduled 747-400 service into London's Heathrow Airport — a non-stop service that should take 13 hours — one hour 50 minutes less than the current service.

Together the four European nations have ordered a total of 55 aircraft, about one quarter of Boeing's order book.

Telecom link planned to test advanced projects

By Hugo Dixon

THE telecommunications administrations from 13 European countries have agreed to set up a special network for testing advanced communications applications — which require transmitting huge amounts of information.

The sorts of applications which might be tested include facilities for foreign exchange dealers to see moving pictures of each other while trading electronically; for experts to diagnose faults in aircraft from remote locations; and for doctors to examine patients' x-rays ovar a telecommunications link.

The trial will help Europe's telecommunications operators decide whether there is sufficient demand for advanced applications and whether they should invest in fully fledged networks. The total cost of estahlishing advanced networks across Europe would be over Ecu100bn (£66bn).

The trial network, called the European Broadband Interconnection Trial (Ebit) will be capable of switching traffic at two megabits a second, about 30 times tha current speed. Although the operators' present networks are not designed to cope with such a load, they believe it can be done hy improvising.

The Ebit network is designed to run in parallel with the European Comission's Race programme, which is pioneering into advanced communications. The idea is that applications developed in Race would be tried out on Ebit.

The 13 countries which last month signed a memorandum of understanding to establish Ebit are: Belgium, Denmark, Finland, France, West Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland and the UK.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)

	Apr.'89	Mar.'89	Feb.'89	Apr.'88	% change over previous year
W. Germany	104.9	104.3	104.2	101.8	+3.0
France	114.9	114.2	113.8	110.9	+3.6
Italy	123.0	122.2	121.6	115.3	+6.7
Netherlands	100.9	100.5	100.1	99.9	+1.0
Belgium	109.4	108.6	108.4	106.2	+3.0
UK	125.3	123.1	122.6	116.0	+8.0
USA	116.7	115.9	115.3	111.0	+5.1
Japan	104.9	103.5	102.8	102.2	+2.6

Source: (except US) Eurostat

OVERSEAS NEWS

Bulgaria expels 300 ethnic Turks

By Jim Bodgenar in Ankara

ABOUT 300 ethnic Turks arrived in Istanbul at the weekend after being expelled from Bulgaria. Their ejection followed attacks a week before on Turkish ethnic protestors by the Bulgarian police and army, which left an unkown number of the protestors dead and injured.

The refugees included prominent members of the two Bulgarian Turkish movements, the Democratic Union and the Independent Civil Rights Defence Association. These have sprung up in protest against the campaign since 1984 by Bulgaria to force its 1.5m-2m-strong Turkish minority to renounce its ethnic rights.

The refugees corroborated reports that several demonstrators had died. Tanks were driven into a peaceful protest march on May 20, in the town of Kaolinovo, and the marchers were clubbed with rifle butts, according to Mr *Alattin Sadik* Memedoglu, who was a provincial leader of the Independent Civil Rights Defence Association. One damonstrator died, and up to 30 were injured, he said.

Silent majority dominates Soviet Congress

By Quentin Peel in Moscow

THE SOVIET Congress of People's Deputies, President Mikhail Gorbachev's attempt to insert some popular democracy into the Communist system in his country, revealed itself in its true colours this weekend.

Its decisions are decided by a huge, usually silent conservative majority, which dominates the public debate, although members were occasionally stirred into fury by a highly articulate, progressive minority.

The decision to reject Mr Boris Yeltsin, the man with the biggest popular mandate in the country, and a string of Moscow radicals, for positions in the Supreme Soviet, showed thet the writing was on the wall.

The change of heart yesterday, whereby another seat for Mr Yeltsin was found when Mr Gorbachev said that was a good idea, showed just how docile the majority remains.

Suddenly the old labels of Bolsbevik and Menshevik – the majority group and the minority group – look like coming back into vogue.

Dr Yuri Afanasyev, the historian and arch-reformer, described the two sides, in a passionate outburst on Saturday, as the "democratic minority", condemned to a subordinate role, and "the aggressive, subservient majority."

The dangers of a party split are very real.

Anatoly Lukyanov makes a point for the Soviet conservatives

Dr Afanasyev brought all the radicals in the assembly to their feet when he denounced the new parliament as a "Stalinist-Brezhnevite Supreme Soviet" – in style, if not in actual personalities.

Mr Gorbachev himself steers an unsteady middle course between the two, giving the radicals their platform, but allowing the party's lobby fodder to dictate the results.

The result is an extraordinary combination of unprecedented outspokenness from the radicals – and truculent interventions, rude heckling, combined with traditional eulogies of the top party leaders, from the majority.

On Saturday, it seemed as though the old-style majority had finally overstepped the mark when, in full view of an enormous television audience, it rejected Mr Yeltsin, the man with a popular mandate from more than 5m Muscovites, for a seat in the new Supreme Soviet.

Candidate after candidate from the party *apparatus* was approved by the same, old 2,000-odd votes in favour, with a handful against. Only the outspoken progressives – Mr Yeltsin and a string of others from Moscow – were roundly *defeated. Every one who had* spoken out at the congress was savaged in the poll.

In truth, the Moscow radicals had committed political suicide in the cause of democracy, when they decided to present 55 candidates for 29 seats, while every other group in the country nominated almost exactly the right number of names for seats available.

As for Mr Yeltsin, his demise seemed quite clearly designed by the party apparatus: The Russian Federation, with 11 seats to fill in the new Soviet of Nationalities, allowed 12 names to go forward, just enough for the former Moscow party chief to get the chop. He came bottom of the poll, with 964 votes against him. The only consolation was that second bottom – with 761 negative votes – was the only Politburo member of the listed dozen, Mr Vitaly Vorotnikov.

Those election results appeared to fly in the face of the whole new electoral trend in the Soviet Union, party functionaries having been defeated in the popular vote across the country earlier this year, and radicals asuch as Mr Yeltsin and his colleagues, having triumphed in the big cities of Moscow, Leningrad and Kiev against the party machine.

The result of the vote in Congressbecame swiftly apparent as the weekend wore on: First a demonstration by 5,000 people outside the Luzhniki Stadium in Moscow on Saturday night, followed by another of about 50,000 on Sunday night. For the first time, Mr Gorbachev himself came in for some savage criticism: "A majority of the people backs a minority in the congress," the banners cried.

Most worrying for the deputies themselves, however, was a flood of telegrammes and telephone calls from across the country, where Mr Yeltsin – albeit undeservedly maybe – has become a symbol for opposition to party privilege and bureaucracy.

"The people are not happy with the work we are doing," Mr Yuri Barashkov, from Archangelsk, declared.

"The outcome of the secret ballot for the Supreme Soviet was not met by full understanding," a deputy from Donets declared, by way of a magnificent understatement.

That was when Mr Alexei Kazannick from Omsk stepped in to save the day – offering to give up his seat in the new standing parliament, the Supreme Soviet, for Mr Yeltsin – and Mr Gorbachev approved.

Even so, most of the Moscow progressives and their supporters – a growing but solitary group – remain out in the cold.

Polish minister aims to harvest farmers' votes

By Christopher Bobinski, recently in Lomza

THE LUSH green *farming* country of Lomza is one of the few places where the Polish authorities have a chance of winning points in the country's June 4 parliamentary elections.

*It is here in an overwhelm*ingly rural district that Mr Dominic Jastrzebski, the dynamic 47-year-old Foreign Trade Minister, is challenging e brace of Solidarity candidates in the free elections for the Senate. Should he fail, the future of the Government could come into question.

Mr Jastrzebski is indeed running as if his job depended on it and he has been spending four days a week away from his ministry seeking to convince *Lomza*'s 240,000 voters he is worth backing.

He comes from peasant stock and was born in a small village a few miles from Lomza. "Ninety-five per cent of my family still live here," he tells meetings after driving up in his blue Mercedes.

It's a point which could pick up votes at polls, especially as the provinces in these elections are looking critically at the candidates' backgrounds for links with the constituencies in which they are standing.

His Solidarity opponents, Mr Lech Koziol, a local lawyer, and Mr Richard Reiss, a Catholic politician from Warsaw, are rattled, as not only does Mr Jastrzebski have ths right roots but he is also promising to bring prosperity to his home province.

"I am Lomza's chance for the future," he promises, like the Western politicians he identifies with and was able to observe when he worked in *London* for six years in the late 70s in a Polish timber trading company.

But for the voters he embodies 44 years of misrule by the party and he knows he is battling against the tide. He says: "I wanted to do this to see if I could break the wave of feeling against us and win in a free election."

Mr Jastrzebski also wants to win as he seems to assume that only those politicians who can win elections will count for much in the party from now on. At times it even looks as if he wants to build a political base for himself in Lomza fre[illegible] in the [illegible] Mr [illegible] apparat backing him, [illegible] telling him about local issues and grievances before he goes to meetings.

But there is the Catholic Church. "If the Catholic Church wasn't backing Solidarity up to the hilt, they'd get no more than 20-30 per cent," he said bitterly of the 86 parishes in the constituency.

Mr Jastrzebski does admit though to his membership of the Communist Party at meetings but there is little trace of socialist ideology and more than a dash of right-wing appeal in his speeches.

Wherever he goes, the minister is *telling* the *farmers* of Lomza, where 96 per cent of the land is in private hands, that they should look to the private sector and not to the Government to solve their everyday problems.

The road to prosperity for the province, the minister repeats, is through private food processing business and export through joint ventures with Western capital. Indeed he is promising to arrange multi-million dollar credits from *Italy for* the district and a trade mission from Lomza is due in Rome this week.

The line is leading to accusations from Solidarity that he is using his position as Trade Minister to favour one province.

He is also coming under attack for being fascinated by the West. "Mr Jastrzebski has seen senators in the West and liked what he saw," Mr Richard Kraszewski, a farmers' Solidarity candidate for parliament in Lomza told the parishioners of Miastkowo at a meeting in the churchyard after a Corpus Christi service. "He wants to make mere farm labourers and servants out of us," Mr Kraszewski warned.

But Lomza is ripe for development. The average size of the farms in the province is 12 hectares – large by Polish standards. Many locals have also worked in the West and dollar savings are high, potentially providing the capital which Mr Jastrzebski wants to mobilise to rebuild the private service infrastructure Polish farming needs if it is to modernise.

Mr Jastrzebki's campaign is the more modern one with its promise of concrete improvements in the not too distant future. It stands a chance of success. But he could be mis[illegible] the electorate, [illegible] ways, [illegible] more easily [illegible] reiteration of [illegible] past wrongs, resentment against the authorities and almost religious references to a better future.

Argentine currency rate frozen

By Gary Mead in Buenos Aires

PRESIDENT Raúl Alfonsín of Argentina has announced a series of emergency economic measures, including a return to a single exchange rate fixed and regulated by the government.

In the middle of a growing crisis of confidence and stability, the president, who has just over six months left in office, made a national broadcast on television and radio late on Sunday, the third such direct appeal this month. In his half-hour speech he accused unnamed individuals of financial "speculation" and said the country's present crisis was due to their unpatriotic behaviour.

He said his government has decided to return to a fixed exchange rate, after less than one month of a free-floating rate, as part of a package intended to stabilise the economy.

Other measures include export duties of 20 per cent for industrial goods and 30 per cent for agricultural products; a 4 per cent tax on the first sale of agricultural land; suspension of all state-financed public works; threats of legal action against price "speculation"; further increases in public service tarrifs (following an average 40 per cent increase this month); and a six month suspension of tax-relief schemes for industrial promotion.

Mr Alfonsín added that a new set of tax laws will be sent to Congress for approval this week.

The emergency measures come at one of the lowest points in Argentina's economy this century. Inflation this month is likely to exceed 70 per cent and the currency, the austral, has slid since January from 18 to the dollar to 220 a week ago, when trading was frozen by government decree. The decision to fix exchange rates is likely to see the resurgence of black market trading in foreign *currency*, despite the president's promise to enforce legal action against such trading, now illicit.

Indian dailies claim report on submarines 'suppressed'

By K.K. Sharma in New Delhi

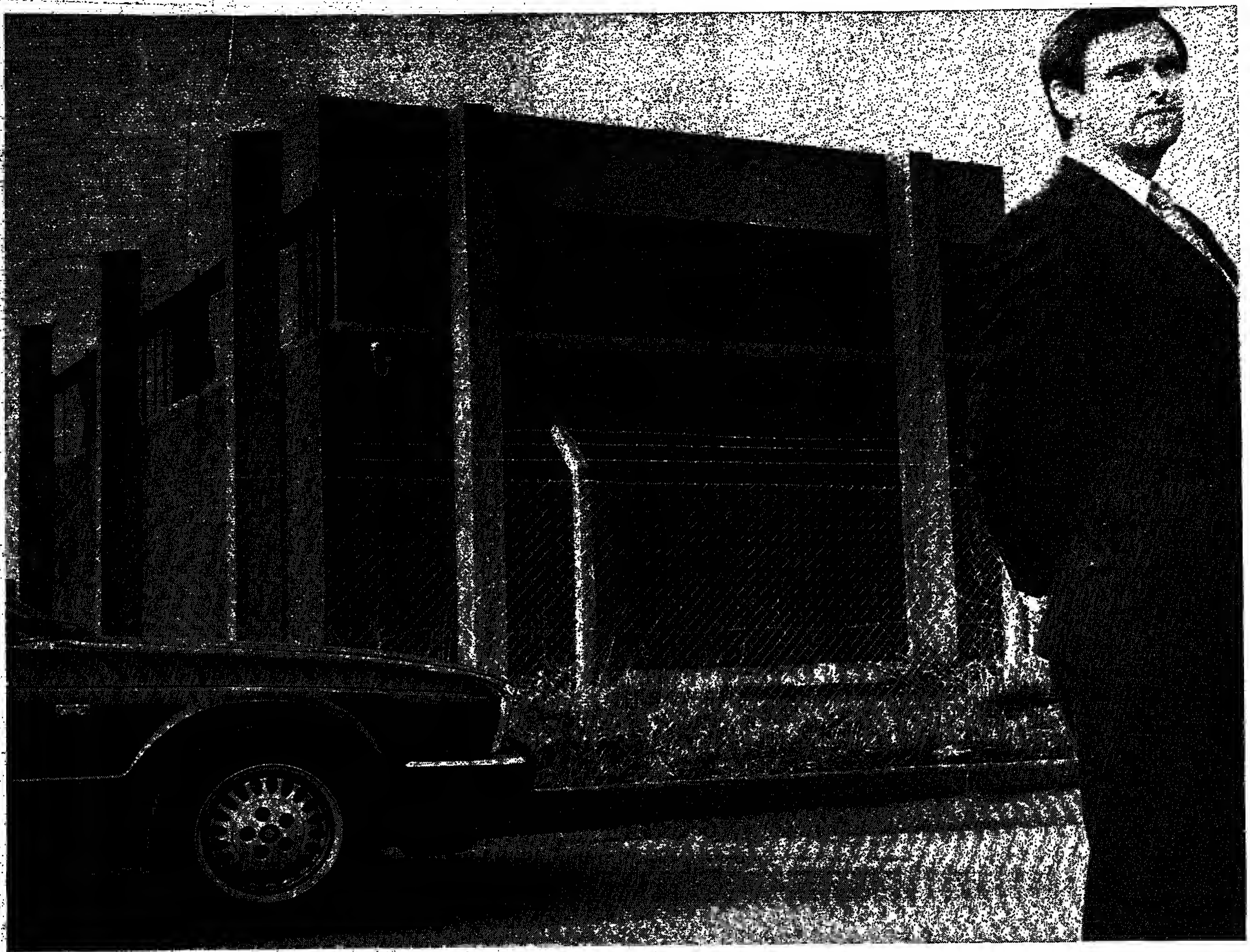
DETAILS claiming suppression of a damaging report of a parliamentary committee which inquired into alleged irregularities in the purchase of German submarines for the Indian Navy were published in the Indian Express and The Statesman over the weekend.

The disclosures are expected to provide fresh ammunition to opponents of Mr Rajiv Gandhi, India's Prime Minister, who has faced attacks based on allegations concerning pay-offs in defence deals to friends and associates.

In the unpublished draft report, Parliament's Public Accounts Committee concluded that the recommendations of the Ministry of Defence and the Indian Cabinet to buy four West German submarines – in preference to an offer from Kockum, a Swedish company – were based on considerations "other than technical and financial evaluation" of the submarines.

The draft report said that the choice of the submarines was prompted by an "outrageous *mistake* in financial evaluation against the interest of the country, due to which selection could not be made on proper material."

Although the contract for the submarines was signed *during* the prime ministership of the late Mrs Indira Gandhi, mother of Mr Rajiv Gandhi, the controversy exploded when Mr V.P. Singh resigned in 1987 as Defence Minister following criticism of his decision to inquire into commissions that had allegedly been paid for the submarines.



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[illegible] energy efficiently [illegible]

[illegible] at factory level [illegible]

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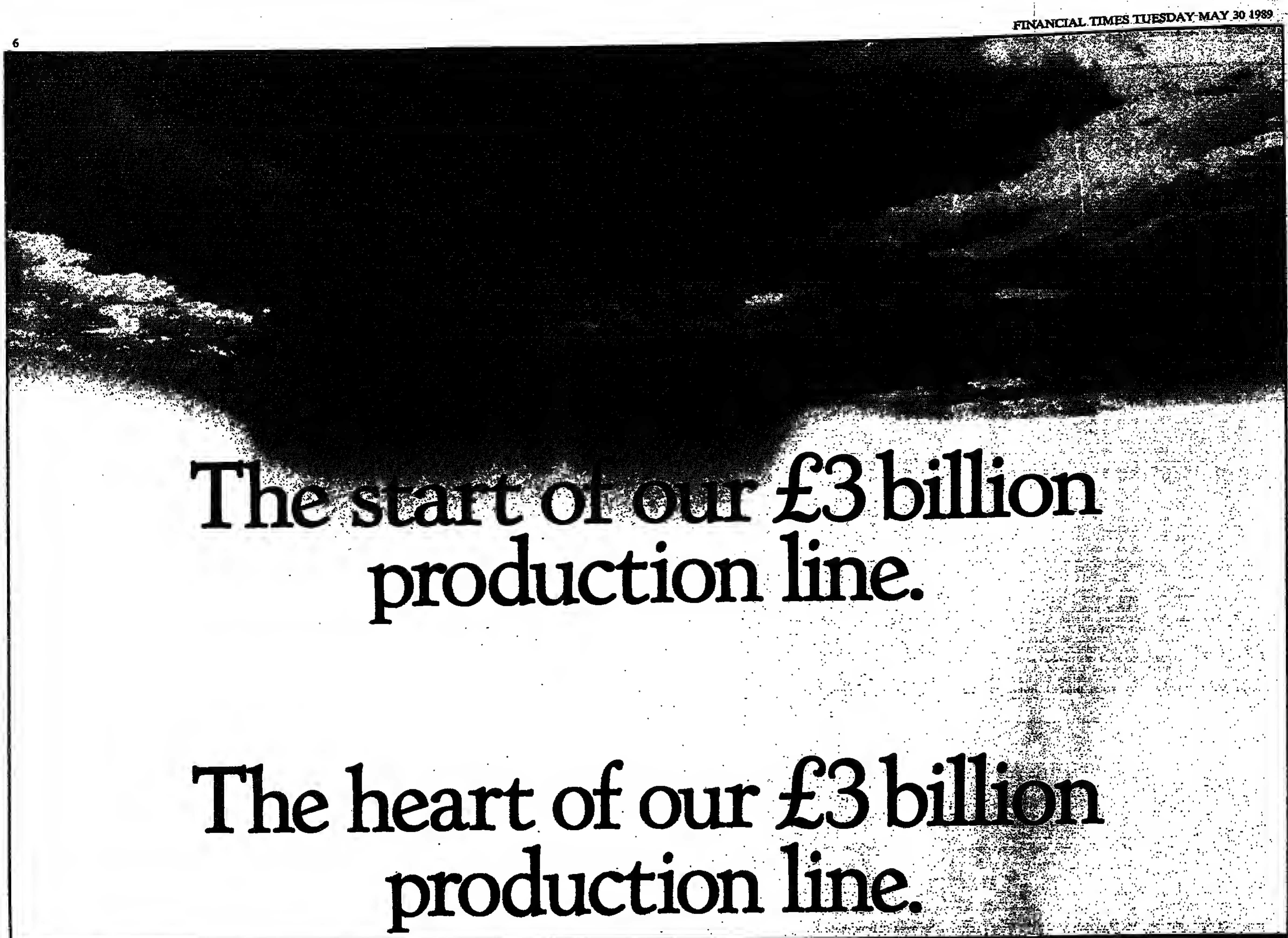

Figures quoted refer to financial year 1987/88.

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Fearful China could face military dictatorship

By Colina MacDougall

FEAR has gripped China in the wake of the astonishingly liberated student movement of the past six weeks as intellectuals, journalists, civil servants and other supporters await the retribution that seems certain to follow.

Peking's geriatric leaders, clinging to their linchpin Deng Xiaoping and fearful of losing privilege and power, have emerged as one to vote yet again for repression. "They are determined to preserve China as their own estate," as one student said in Peking's Tiananmen Square a week ago.

The mood in Peking has switched from the hope that change to a more liberal society might be effected by popular power to the recognition that a greedy and ambitious Communist Party which controls both the army and the press can scarcely be defeated. "At least the students have learned about the real world," said one Chinese professor sadly.

While Zhao Ziyang, the party general-secretary, and other relative liberals such as Vice-Premier Tian Jiyun, have not yet been given the final coup de grace, it is probably just a matter of time before the party dinosaurs dismiss them.

For nearly 100 years thoughtful Chinese have been trying to bring some kind of modernisation to their ancient but impoverished culture. Today the party elders are playing the role of the aged empress dowager of the late 19th century, who executed as many modernisers as she could catch in order to preserve her own position. Since then, China has fallen prey to a series of warlords, generals and other charismatic leaders, all of whom in the last resort despoiled the country to satisfy their own greed for power.

In the latest clampdown, China'a student leaders – among the brightest and best at the country's universities – seem likely to be sacrificed, if not literally then at least to dead-end jobs. Academics and teachers, plus distinguished intellectuals such as China's most famous dissident, the astrophysicist Fang Lizhi, will be targets. Contributions from China's best economists to the key question of how to modernise the lumbering economy will be shelved and their authors sidelined, if not worse.

Chinese development is likely to be frozen where it stands, at least for many months. Political reform has been a dead letter for more than a year, as Zhao has fought a losing battle to retain his power as party leader. Economic reform has been frozen since last autumn because of high inflation. In any case, economic reform was constantly sabotaged by interference from conservatives and hardly had a chance to run smoothly.

The unobtrusive reintegration of Hong Kong to China now seems impossible. Last week's pro-democracy demonstrations in the British territory underline the growing view that it needs much stronger safeguards than are proposed in its mini-constitution, the Basic Law, or in its own political reforms for the next few years, before it reverts to China in1997. The emigration rate of Hong Kong's brightest and best to Canada and elsewhere seems likely to multiply greatly.

It could be argued that, as China's new power-holders are mostly over 80, their term of office is likely to be short. Deng Xiaoping himself is clearly failing, if not in political acumen at least in physical powers. Chen Yun, Po Ibo and the rest of the octogenarians who emerged last week to give their support, are frail. The exception is the 60-year-old premier, Li Peng, but he is widely seen simply as a puppet.

Furthermore there hava been some signs of difference over policy, snch as the defence by a number of retired generals last week of the students as "patriotic". Some Chinese say, too, that Deng is meeting unspecified problems in calling a meeting of the Central Committee to endorse the top changes.

Yet the army now appears united behind Deng, perhaps as a result of his quick trip to Wuhan last week, when he is thought to have demanded, and got, obedience from six out of China's seven regional military commanders. Tha seventh, Peking, has now fallen into line.

President Yang Shangkun is a former senior army chief and still counts among his relatives many important military leaders whose interests are best served by a conservative administration.

The outlook for China under what could effectively be a military dictatorship is bleak indeed.

HK debate clouded by troubles in Peking

By Michael Marray in Hong Kong

MEMBERS of Hong Kong's executive and legislative councils meet today to try to agree on a post-1997 model for the selection of the territory's chief executive.

They will try to hammer out a consensus ahead of this week's two-day legislative council debate on the basic law, Hong Kong's future mini-constitution, which is currently in a final period of consultation.

Councillors led by lawyer and liberal activist Mr Martin Lee have been pressing for the first chief executive, who will as under the present system wield considerable powers, to be chosen by universal suffrage, though others favour an electoral college process for the first term at least.

Concern at recent events in Peking and the groundswell of popular support for the student protests have already led to a unanimous vote by executive and legislative council members to speed up the timetable for elections to the post-1997 legislature, with a fully directly elected legislature by the year 2003.

At the weekend demonstrators again took to the streets in protest at the crackdown in China. Despite the apparent fizzling out of the student protest in Peking and the consolidation of the hardliners' grip on power, local protesters continued to call for democratic reform in China and for Premier Li Peng to step down.

On Saturday several hundred thousand spectators attended an amotional open-air concert.

A demonstration on Sunday is estimated to have been even bigger than one the previous week, when more than 500,000 of the territory's 5.5m population took to the streets.

The protest march had a carnival atmosphere, with banners calling for freedom and democracy in China mingling with Chinese flags.

Syria applauds Baker's stricture on Israel

SYRIA HAS paid a warm tribute to the US administration, after criticism of Israel voiced last week by Mr James Baker, Secretary of State, Andrew Gowers reports from Damascus.

Mr Mohammed Salman, Syrian Information Minister, said at the weekend Syria saw Washington's call on Israel to give up the idea of annexing territories it occupied in 1967 as "very positive", adding: "We are hearing that for the first time from an American personality. This means the US is refusing Israeli expansionism."

The minister's remarks came after President Hafez Assad of Syria had joined other Arab leaders, at a summit meeting in Morocco, in backing the Palestine Liberation Organisation's current peace initiative. Mr Salman said that, after meetings of Mr Assad and Mr Yassir Arafat, PLO chairman, at the summit, the PLO was welcome to send a delegation to Damascus to discuss a full reconciliation between the two sides.

Old vendetta lets Lebanese blood

Andrew Gowers weighs up Damascus-Baghdad rivalry

EVERY SO often the Arab world finds its foundations shaken and its political resources sapped by an internecine feud of quite baffling ferocity.

Such was the case at last week's Arab summit in Casablanca, where the old schism dividing Syria and Iraq erupted into open abuse between the respective presidents, Hafez al-Assad and Saddam Hussein, on the subject of Lebanon. No sooner had the Arab League mended its final fences with Egypt, after a 10-year rift over the Camp David accords with Israel, than a much deeper vendetta was reasserting itself, with Syria and Iraq entrenched on opposite sides in the latest round of Lebanon's 14-year civil war.

The outcome of the bout last week was a victory on points for Syria. But, with the propaganda war between Damascus and Baghdad plumbing new depths, that is almost certainly not the end of the affair.

Rivalry between the two capitals goes back at least to the eighth century AD, when the Abbasid in Baghdad usurped the leadership of the Arab empire from the Umayyads of Damascus. In modern times, the conflict has taken on new and virulent forms, and has brought them close to hostilities more than once.

There is a peculiarly intense personal loathing between Saddam Hussein and Hafez Assad. It is often said that the two men, rulers of neighbouring countries for the best part of 20 years, can scarcely bear to be in the same room together – an observation borne out by last week's events. By repute, there is a world of difference between the two individuals. However, they match each other in ruthlessness and ambition.

Both desire to play a role in the Arab world disproportionate to their countries' demographic weight; both possess formidable military machines; both pay lip service to Socialist ideology but have made pragmatic accommodations with private enterprise and conservative Arab monarchies.

Above all, as befits authoritarian rulers, both Hafez Assad and Saddam Hussein are constantly on their guard, their watchfulness aggravated by the fact that they belong to minority sects in countries riven by powerful sectarian or ethnic traditions. In the case of Iraq, a Sunni Muslim Arab elite presides over a Shia majority and a large and rebellious Kurdish minority. In Syria, power is invested in the Alawite community from the mountainous north, a sect of Islam closer to Shi'ism than to the Sunni branch adhered to by most Syrians.

Partly for these reasons, each country has tended to blame its domestic political trouble on subversion by the other. Syria accused Iraq of having a hand in an uprising by Sunni fundamentalists in the town of Hama in the early 1980s. Saddam Hussein, for his part, claimed to have uncovered a plot against him alleged to have been supported by Syria shortly after he seized the Iraqi presidency in 1979.

What has brought the underlying tension to a head is Saddam Hussein's desire to avenge Syria's support for Iran in the Gulf War since the ceasefire last summer. Where better to create trouble for Syria, the Iraqi leader calculated, than Lebanon – scene of many of the Arab world's proxy wars and a country where Damascus believes history and geography give it a special role.

Since last autumn, Iraq has been pouring money and arms – including heavy artillery and tanks – into Beirut's Christian enclave where Maronite forces oppose the Syrian military presence in Lebanon. This year, Baghdad has emerged as the principal sponsor of Gen Michel Aoun, the Christian army commander who is waging a "war of liberation" against the Assad regime.

Syrian officials claim Iraqi and Israeli military advisers are working with Gen Aoun, and mutter that he possesses six missiles – probably Soviet-made Frogs – with the range to strike Damascus. Iraqi officials make no secret of their aim either to force Syria into a humiliating withdrawal from Lebanon or to goad Hafez Assad into a full-scale intervention in the Christian enclave, which they hope would dent his international prestige.

In an intriguing but distorted symmetry, each side claims the other has been weakened by recent events: the Iraqis say Syria's international assets have diminished as a result of the end of the Gulf War and the Palestine Liberation Organisation's overtures to Israel; the Syrians point to recent ructions in Saddam's family and his vicious suppression of the Kurds as evidence of post-war insecurity.

"Assad has lost his Palestinian card and his Iranian card," gloated an Iraqi official in Baghdad last night. "Lebanon is the last card he has."

"As long as the contradictions within Iraq increase," retorts Mr Mohammed Salman, Syria's Information Minister, "Saddam will try to keep his army busy with outside activities."

It was with the hope of building an Arab consensus for Syrian withdrawal that Saddam Hussein went to Casablanca last week. He seems to have miscalculated. The outcome was a bland statement calling for continuing efforts at political reconciliation between the Lebanese under the auspices of three Arab leaders – from Morocco, Algeria and Saudi Arabia – who are unlikely to create problems for Syria.

For the moment, then, Syria's position does not seem under serious challenge. In alliance with Lebanese Muslim forces, its 30,000 or more troops control 80 er cent of the territory. It enjoys at least tacit support from Arab powers such as Saudi Arabia, which is anxious to shield itself against Iraq's post-war ambitions. Rather than send troops into the Christian enclave, the Syrians believe they can afford to sit tight until the Lebanese tire of Gen Aoun's adventure: "Syria has no intention to enter this area or to solve Lebanon's problems by military means," says Mr Salman.

On the other hand, Saddam Hussein has invested a lot of prestige in his attempt to make mischief for Syria, and it is hard to see him dropping his support for Lebanon's Maronite Christians now. With or without genuine moves towards reform of Lebanon's political system, the battered people of Beirut have reason to fear yet more bloodshed as a result of what is, at least in part, somebody else's war.

Students wake to sober reality

Protesters fear punishment, reports John Elliott

MI, a 21-year-old physics student, stood beside a bright red loud-hailer and a couple of demonstration posters in a scruffy dormitory of Shanghai's Fudan University. "It is failure but we will have won in peoples' hearts – and we can only only expect to get democracy step by step," she said.

In another room two postgraduates in their early 30s, who were caught up as teenage Red Guards in China's cultural revolution of the 1960s and 1970s, also recognised they had lost – for the time being. They, too, were anxious that the past weeks' demonstrations should not be remembered as turmoil, a word used by Li Peng, the hardline Prime Minister, who also compared their democracy movement with the cultural revolution.

"Turmoil is a disgusting term – this time we have had a movement which wants to keep China stable and help it develop and become prosperous, not cause turmoil or chaos," said Xiao Wang. "The cultural revolution was the result of top leaders using students for their political aims – this time the student movement has not wanted to be a tool but we do want a different political system. It is the government that has made turmoil," said Xiao Yang.

In Shanghai's universities, the past three days have seen adjustment and sadness after the euphoria of a week ago when the spontaneous country-wide student movement, brilliantly self-regulated and generally peaceful, thought it was heading for victory.

There has been a sudden reduction in militancy amid fears of punishment. First, students rested over the weekend after days of frenetic activity. Then many acknowladged defeat, but they still went on a big final rally at the city's Peoples' Square and the Bund riverside promenade on Sunday.

A large poster depicting Li Peng as a crawling crab was a focal point, together with an eight-foot plastic model of the Statue of Liberty.

Some students talked of joining a planned workers' march today, though many complained that workers were not prepared to strike and endanger their increasingly comfortable life styles with television sets and refrigerators at home. There were dreams of a demonstration on October 1, Liberation Day, and of rallies at the Asian Games in Peking next year.

But punishment was uppermost in many people's minds. "We may get sent home before we graduate," said Mi. "A few people will be put in prison or be sent off to some remote north-west province," said Yang.

"But most students who took part will just get a bad job, or maybe later when they want to go abroad they will not be able to. After our experiences in the cultural revolution, they can do nothing to worry me. I am willing to go to prison – I'll convert the guards."

People started covering their tracks over the weekend, sometimes refusing to act as foreign reporters' interpreters. There were arguments about whether to join a planned boycott of classes this week. "I hope there is a class tomorrow, I want to show I am back," said one Communist Party member anxious to rehabilitate himself. Yesterday students at Tongji university left a couple of weeks early for their homes, saying they would not return till September.

Parents who had not wanted their offspring to suffer a repeat of their own punishment in the Cultural Revolution were relieved that protests were waning.

Students said they were originally motivated by disgust that the economic liberalisation of the past ten years had led to mounting official corruption.

Private enterprise had widened pay differentials, while they lived in appalling conditions and, along with lecturers, had poor job prospects

Their basic political demands have been limited and far from revolutionary.

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Issued in July 1987 and available in the form of *International Depositary Receipts*
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The principal amendments are designed to permit the issue of the New IDRs by the Depositary and to amend references to Existing Shares to include references to the New Shares. Certain other amendments have been made which are of a minor or technical nature. None of the amendments increase or impose fees or charges payable by IDR Holders, nor, in the opinion of the Depositary, are they materially prejudicial to the interests of the IDR Holders. The amendments are therefore effective immediately. The amendments are contained in a supplemental deposit agreement dated 25th May, 1989 (the "Supplemental Deposit Agreement") between the Company and the Depositary. Copies of the Supplemental Deposit Agreement are available at the offices of Banque Indosuez Luxembourg at 39 Allée Scheffer, L-2520 Luxembourg (as the Depositary) and Crédit Suisse at Paradeplatz 8, CH-8001 Zurich (as the Agent of the Depositary) for as long as any Existing Shares or New Shares remain in issue.

Banque Indosuez Luxembourg
30th May, 1989

GRANVILLE

SPONSORED SECURITIES

Capitalisation £000's	Company	Price	Change on week	Gross div (p)	Yield %	P/E
7958	Ass. Brit. Ind. Ord.	335xd	0	10.3	3.1	9.0
700	Armitage and Rhodes	28	0			
2401	BBB Design Group (USM)	29	-1	2.1	7.1	7.1
139228	Bardon Group (SE)	203	+10	2.7	1.3	34.7
21292	Bardon Group Cv. Pref. (SE)	122	+7	6.7	5.5	-
6109	Bray Technologies	101xd	+1	5.9	5.8	8.9
	Bremhill Conv Pref	108	0	11.0	10.2	-
1136	CCL Group Ordinary	299xd	+1	14.7	4.9	3.7
2200	CCL Group 11% Conv Pref	176	0	14.7	8.4	-
16740	Carbo Plc (SE)	203	+3	7.6	3.7	11.9
770	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7270	George Blair	394	0	12.0	3.0	8.7
9958	Isis Group	125	0	-	-	16.4
18744	Jackson Group (SE)	178	+4	7.1	4.0	10.3
23783	Multihouse N.V. (AmstSE)	305	0	-	-	-
1102	Robert Jenkins	108	0	7.5	6.9	4.1
21615	Scruttons	467	+2	18.7	4.0	12.3
8840	Torday & Carlisle	286	+3	9.3	3.3	10.0
	Torday & Carlisle Conv Pref	117	+2	10.7	9.1	
4260	Trevian Holdings (USM)	99	-4	2.7	2.8	10.6
-	Unistrut Europe Conv Pref	116	+2	8.0	6.9	-
6485	Veterinary Drug Co. Ltd	393	0	22.0	5.6	9.3
7460	W. S. Yeates	333xd	+1	16.2	4.9	27.7

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OVERSEAS NEWS

Debate grows on Japan's market changes

The view is gaining ground that Tokyo needs another big shock, **Ian Rodger** writes

REGARDLESS of the political and technical merits of last week's decision by the US to cite Japan as an unfair trader, there is growing debate on whether the process of market liberalisation in the country is still on course.

In the US and elsewhere, the view is gaining ground that, despite its pledges, Japan is not emerging from its protectionist traditions quickly enough and that it needs to be hit with another big shock. In Japan, most officials believe that the momentum of structural change is proceeding satisfactorily and even gathering pace. Excessive pressure from the US or other foreign countries risks offending the Japanese people and thus being counterproductive, they fear.

Certainly, the results of the country's efforts at structural change in the past few years are meagre so far. When the seven leading industrial countries agreed in September, 1985 to revalue the yen, it was widely assumed that this move would force Japanese manufacturing industry to change its aggressively export oriented structure.

The Japanese government quickly followed up with the so-called Maekawa report, the fruit of a blue ribbon committee study which set out a blueprint for complementary structural changes in the economy and society to help absorb the expected severe adjustments in industry.

Under the Maekawa plan, the government would stimulate domestic demand, partly to attract imports, and would dismantle regulatory barriers to market forces in many industries. Measures would be taken to remove excessive incentives to savings in the hope of stimulating consumption, and rules would be changed to reduce the working week, create more holidays and take other steps to encourage the Japanese people to be less workaholic. Four years later, even though the yen has doubled in value against the dollar, the trade surplus is much higher than it was in 1985 and, by all accounts, it is likely to grow again this year to something like $100bn. Imports have grown significantly, but manufactured imports still represent a relatively small proportion of gross national product.

It was expected that many lower value industries, such as shipbuilding, textiles and steel, would have to contract or disappear as a result of the yen revaluation, and that was accepted by Japanese authorities as an inevitable consequence of the need for fairer international division of labour. In fact, Japan now produces more steel than five years ago, the shipbuilding sector is booming and only in the garment making sector has the country given way significantly to the pressure of imports from neighbouring Asian countries.

What appears to have happened is that the Japanese people, particularly those in manufacturing industry, reacted to the yen's rise in an unexpected but very traditional Japanese way. They worked harder.

Industries quickly overcame the revaluation through a combination of rationalisation and development of new, higher value products. In the electronics industry, in particular, they have developed a series of sophisticated products – facsimile machines, laser printers, laptop computers, hand held video recorders – that cannot be matched elsewhere, and so makers can pass on the impact of the yen's rise to the world's consumers. Meanwhile, the process of eliminating barriers to imports has been disappointingly slow in all but a few luxury product markets.

For their part, individuals have been hesitant to drop their deeply ingrained habits of thrift, *hard work* and acceptance of substandard living conditions. Household savings rates remain at 16 per cent, well above the 6 per cent rate in the UK, and both ordinary and overtime working hours have increased since the Maekawa report. Trade unions remain docile, accepting wage increases this year of about 5 per cent despite a second year of *double figure profit growth* in industry.

What all this suggests is that the Japanese moved most quickly on the least painful changes in the Maekawa blueprint – stimulating domestic demand and liberalising financial markets. But they have dragged their feet on the ones – deregulation, reduction of working hours, land use reform – which would have broken traditional commercial ties and caused anxiety in a people who *still feel economically* vulnerable.

Thus, perversely, the main beneficiaries of the Maekawa reforms to date have been Japanese manufacturing companies. In the past few days, dozens of companies have been reporting their financial results for the 1988-89 fiscal year, and one of the most common themes is that their profits have been soaring because of strong domestic demand.

That success, in turn, has helped arm them with funds to invest abroad, which they are now doing with such speed that it is arousing opposition in many countries. Because of the high yen, these investments are relatively cheap.

Conversely, the revaluation of the yen and the subsequent surge in Japanese land prices *have made it more difficult* for foreign companies to invest in Japan.

On the other hand, there is considerable evidence that ordinary people too are starting to benefit from Japan's *success* and, more important, to demand more.

The number of people travelling overseas is expected to reach 10m this year compared with *only* 6.8m *four* years ago, and Japanese property companies are investing heavily in leisure facilities at home to meet growing demand.

The rationalisation of the agricultural sector is under way, albeit slowly, and that should at some point make it politically possible for the government to implement measures to promote land reform. Better land use is seen by many analysts as a most important reform, as it would lower housing prices and raise living standards.

Is it enough? Is it happening quickly enough? The Japanese Government's view is that restructuring is proceeding satisfactorily. "We have pledged ourselves to this process and we are proceeding on the set course," Mr Michihiko Kunihiro, an assistant deputy foreign minister, said on Friday.

He acknowledged that the *process* had not proceeded as quickly as he had hoped three years ago, but that was not because of any "monkey business" on the Japanese side. It was simply *that* Japanese companies had responded quickly to increases in demand both in Japan and the US. "Who knows how long some of them will survive if US demand drops?" he asked rhetorically.

The US Administration, which has launched an investigation of structural barriers within the Japanese economic system, obviously disagrees, as do other *Western* Governments. Mr Martin Bangemann, vice-president of the European Commission, who was in Tokyo last week, needled Mr *Hiroshi Mitsuzuka, Minister of* International Trade and Industry, saying that the implementation of the Maekawa report was not proceeding as quickly as the *legislative programme* to bring about the unification of the EC market.

Even if there was agreement on the need to galvanise the Japanese people into more action, there is no longer an easy way to do it. The view is growing in both Japan and the US that it would not be helpful to bring about another significant revaluation of the yen because many Japanese exporters would quickly adjust to it.

It might even be harmful, making it easier for Japanese companies to expand overseas and still more difficult for foreign companies to expand in Japan. Also, any attempt by the US to demand an acceleration of structural changes in Japan will be met by indignant demands that the US do likewise. From the foreign viewpoint, the best solution would be for Japan's leadership to become convinced that more rapid change was needed and to take bold action to bring it *about*. But the *climate for such* leadership is not propitious.

Sosuke Uno, specialist in policy issues

MR Sosuke Uno (right), who is expected to be named Japan's new prime minister later this week, has many qualities and qualifications but, in ordinary circumstances, they would never have enabled him to reach such a high position, Ian Rodger writes.

The son of a sake brewer in rural western Japan, he first came to prominence in 1947 when he published a book about his experiences in an internment camp in Siberia. The book was aimed at raising public awareness of the plight of the remaining internees and it was so successful that it led to a political career for someone who might otherwise have been a scholar.

Despite being a politician, he has published two collections of poetry and two books on the history of his native region of Shiga. He paints in oils and plays the piano privately and the harmonica publicly, as many foreign dignitaries can attest. He is also a qualified teacher of kendo.

Mr Uno, who is 66, has concentrated on policy issues in his career rather than internal party matters, and so has never built a following within the party or been considered a potential leader. However, he has done memorable work in most of his cabinet portfolios, which have included science and technology, public service management, international trade and industry and foreign affairs.

He is eloquent in his speeches, and wins wide praise from foreign diplomats for studying his brief carefully

Correction

Sumitomo Trust and Banking

A headline on page three of Saturday's Financial Times which read "Recruit scandal fells Sumitomo bank chief" should have read "Recruit scandal fells chief of Sumitomo Trust and Banking".

For Burma, read The Union of Myanma...

By Roger Matthews

BURMA, *one* of the world's 10 poorest countries, has officially ceased to exist. The country's military regime has taken the ultimate step in its campaign to convince the *world that* everything has changed since the brutal surpression of mass pro-democracy demonstrations last September. It has chosen a new name for the country.

Instead of The Union of *Burma, it is to be called the* Union of Myanma. Rangoon, the capital, will henceforth be known as Yangon, while the city of Moulmein becomes *Mawlamyaing and Prome* is to be Pyi.

The official explanation is that more than four decades after the country became fully independent from Britain at the astrologically auspicious moment of 4.20 am on January 24 1948, the residual aspects of colonialism have to be swept away.

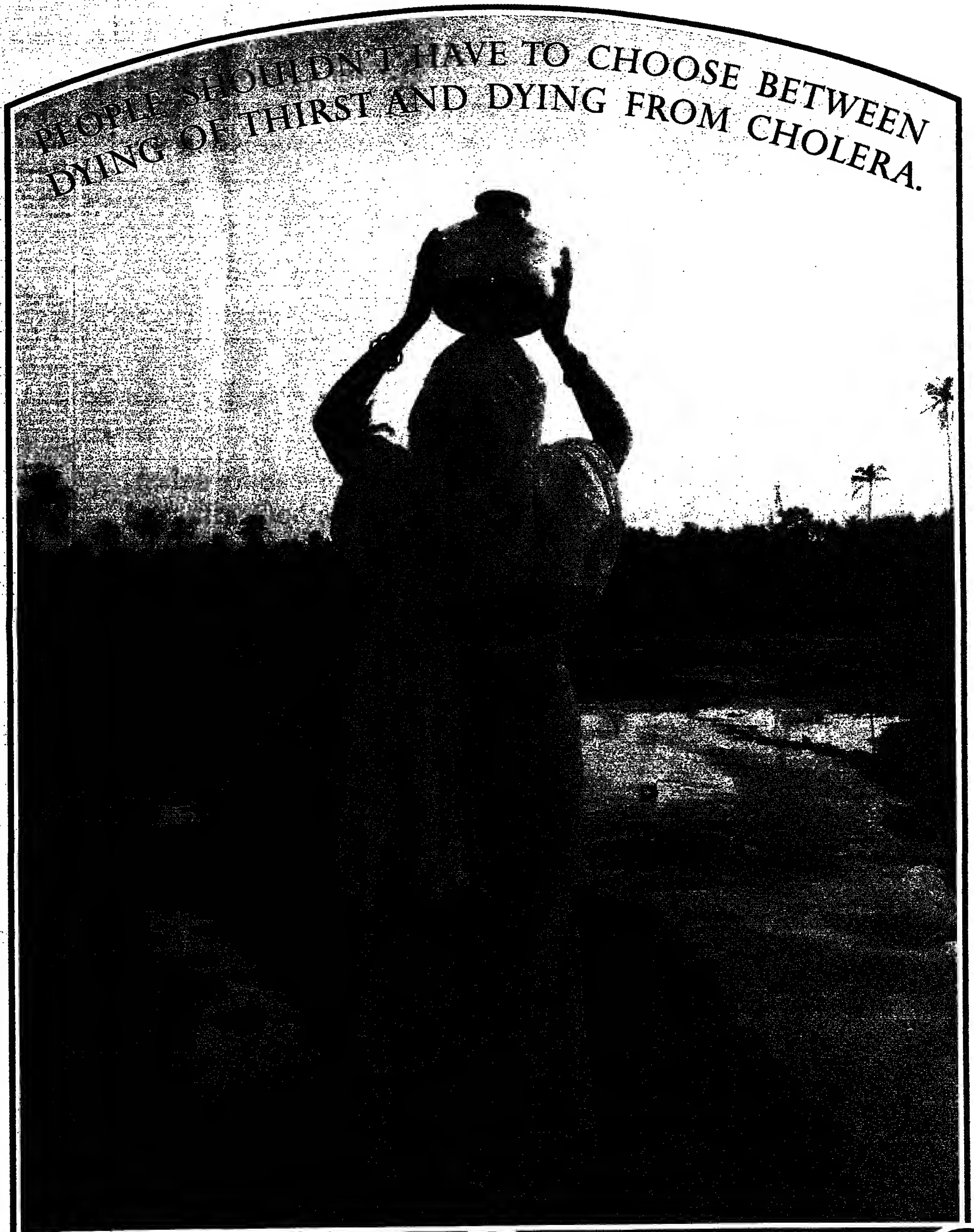
Leading astrologers are also said to be concerned about the regime's announcement that it is prepared to emerge from self-imposed isolation and to consider foreign investment for the first time in more than a quarter of a century.

The change in the country's name may therefore also be interpreted as an early antidote to the perceived dangers of foreign influence.

When Japan and other aid *donors* from the industrialised world cut off assistance to Burma last autumn in protest at the killing by the regime of more than 1,000 demonstrators, *one of the* conditions for a resumption of aid was the introduction of economic reforms.

The regime promptly dropped the "Burmese *Road* to Socialism", which had almost bankrupted a nation still rich in natural resources, but has yet to flesh out the replacement policies.

However, by selling fishing and logging concessions, sufficient foreign exchange has been gathered to finance a four-month military campaign against Karen rebels who have *been fighting for 40 years for* autonomy from what used to be called Rangoon. The fighting has been particularly intense in the past week.


PEOPLE SHOULDN'T HAVE TO CHOOSE BETWEEN DYING OF THIRST AND DYING FROM CHOLERA.

Pharmaceutical industry row over drug safety tests

By Peter Marsh

A ROW over scientific standards used in trials of medicines has erupted between Britain's main trade association for the pharmaceutical industry and a leading drug-safety research body.

The Association of the British Pharmaceutical Industry came under fire from Professor Bill Inman, head of the Drug Safety Research Unit at Southampton University.

Prof Inman is regarded as one of the world's foremost authorities on the surveillance of new drugs to determine their safety. He set up the Southampton unit in 1980 and receives money from both the Government and industry to run a number of scientific programmes to record the adverse reactions of patients to new drugs.

Prof Inman is a long-time critic of what he believes are efforts by some drug companies to promote their new drugs with excessive zeal, to the possible risk of patients' health.

These promotional exercises could, he believes, lead to many thousands of patients being told to take a new medicine before its safety profile has been properly worked out.

At the end of last year Dr Frank Wells, medical director at the ABPI, wrote to chief executives of major UK and US drug companies drawing attention to some of Prof Inman's views regarding promotional efforts by the industry. These comments had, said Dr Wells in the letter, received wide publicity in Britain "to the damage of both UK and US companies".

Prof Inman said that the letter had been a "blatant attempt" by the trade association to damage a drive by him last year to raise money from the international drug industry for a new building for his unit to expand its operations.

In the event, Prof Inman raised £1.3m through the funding exercise, most of it coming from US pharmaceutical companies including Merck, Pfizer, Upjohn and Johnson & Johnson.

Only two British medicines groups, Beecham and Imperial Chemical Industries, came up with money and Prof Inman believes that other large UK companies, such as Glaxo and Wellcome, might have promised support had it not been for the letter from Dr Wells.

Behind the dispute is a rumbling controversy over the techniques used by drug companies to increase revenues from new medicines by persuading large number of doctors to prescribe the products in the first year or so after they are available.

The discussion has focused on post-marketing clinical trials, efforts organised by individual companies to assess the safety of their new medicines by asking doctors to report any adverse effects.

Prof Inman believes that some companies, which he stresses have been a small minority, have put undue pressure on doctors to enter these trials. Physicians have, he believes, sometimes been given cash inducements by the companies to prescribe new drugs to an excessive number of patients.

The professor believes his own studies, based on prescription data which he receives direct from the Department of Health, are a more reliable guide to the safety of new drugs and are free from commercial overtones.

The ABPI pointed out that in the past few years new guidelines had been agreed in the industry designed to curb incorrect use of post-marketing studies and to harmonise scientific studies in this field. It said it did not want to comment on the details of any discussions regarding it and Prof Inman.

Co-operative societies' sales rise 8%

By Maggie Urry

THE Co-operative movement achieved retail sales of £5.8bn in 1988, an 8 per cent increase on the 1987 total, the Co-operative Union revealed yesterday at the movement's annual congress being held in Torquay, Devon.

This represents a slight fall in the movement's share of total retail sales from 4.5 per cent to 4.4 per cent. The union said that the rate of decline of market share had slowed.

The aggregate trading surplus of the 85 co-operative societies was £110m in 1988, up from £99m in 1987. Although this showed an improvement in trading margins from 2.0 per cent to 2.1 per cent, the performance was still below the aim of 2.5 per cent.

The union, which organises and speaks for the movement, said it was optimistic about the future.

Sunderland air pollution prompts EC legal threat

THE GOVERNMENT was threatened with European Community court action yesterday because of air pollution in the Sunderland area.

The European Commission in Brussels said conditions were so bad that it would launch legal proceedings in two months unless the Government could justify its failure to take steps to cut levels of anhydrous sulphide in the atmosphere.

EC restrictions on certain substances in the air have been in force since 1982 but Sunderland was one of the regions granted an exemption. All exempted areas were told by Brussels to produce long-term proposals for cutting levels of pollution.

In a formal warning yesterday the Commission said that no plan had been forthcoming and the Government was in breach of the rules. Under EC legal procedure the Government has two months to reply before the Commission considers its next step.

The investigation of air pollution over Sunderland was triggered by the complaint of a private individual. The Commission now wants to see concrete evidence that efforts are being made to reduce the concentration of pollution in the vicinity.

The Department of the Environment said it had not yet seen the warning letter from the Commission.

A spokesman said, however: "The UK has always made it explicitly clear that we intend to comply fully with the directive.

"If local authorities are reluctant to impose the directive the Secretary of State has full powers to direct them to do so."

Economic trends 'to change in 1990s'

By Michael Prowse

THE PATTERN of economic activity will change markedly in the 1990s as Britain strives to curb its balance of payments deficit, says Cambridge Econometrics, the private forecasting group, in a long-term economic and industrial forecast published yesterday.

The company projects growth of about 2.3 per cent a year during the 1990s – about 1 percentage point slower than between 1985 and 1990. It expects inflation to hover between 5 per cent and 6 per cent and unemployment to drop only to 1.6m by the year 2000. However, the company expects the balance of payments to return to small surplus by the end of the period.

The improvement in the current account assumes a gradual depreciation of sterling and a sharp reduction in consumption growth. Consumers' expenditure is forecast to grow by only 1.9 per cent a year during the 1990s, compared with more than 3 per cent during the 1980s.

Exports are forecast to grow at 4.5 per cent during the 1990s, compared with 2.5 per cent between 1979 and 1988. Imports should grow by slightly less than 4 per cent a year, compared with close to 5 per cent during the 1980s.

The shift in demand away from consumption and imports and towards investment and exports has important implications for individual industries. Manufacturing will gain at the expense of consumer services, such as retailing and catering. But service companies with business clients will also tend to do well.

In manufacturing high growth is expected in chemicals, electrical engineering, paper, printing and publishing, and building materials – reflecting the strength of construction, which will be supported by higher infrastructure spending.

In services high growth is expected in telecommunications, banking and finance, and insurance.

Low-growth industries of the 1990s include clothing, textiles and mechanical engineering. The sharpest sectoral turnaround occurs in energy, as a result of the decline of North Sea oil production.

The projections depend critically on the assumption that consumers' expenditure is restrained. In the absence of tax increases, says the report, measures to boost saving are likely to include incentives for private pensions, high interest rates and tax reforms.

Industry and the British Economy to the year 2000. Cambridge Econometrics. 21 St Andrews Street, Cambridge CB2.

Call to end 'commission war'

By Eric Short

A CALL for the return of an industry-wide maximum commission agreement on life assurance contracts was made at the weekend by Mr Len Warwick, president of the Life Insurance Association, a trade body for life and pension intermediaries and advisers.

The call was made in the association's initial response to the proposals published last week by the Securities and Investments Board on its disclosure arrangements for life assurance and unit trusts.

Mr Warwick referred to the current situation of a commissions war between life companies seeking to secure their marketing outlets through independent advisers. This was resulting in a bidding up of commission payments on a volume-related basis, with the largest producers receiving the highest commission.

He laid the blame for the present commission "free-for-all" squarely with the Office of Fair Trading, for recommending that the existing industry-wide commissions agreement should be abolished and that commission payments should be free of restraint.

His fears, expressed to the SIB, were that independent advisers could find it difficult to demonstrate their independence when commission payments based on volume would lead to suspicion of bias by the adviser to the highest paying life company.

The LIA warned the SIB that the answer to these problems was to remove the influences which bring about such suspicion by a return to a maximum commission agreement and not more disclosure – a reference to the SIB's veiled warning in the section of its document relating to commission disclosure that "further adaptation in disclosure and regulation may be found necessary in the light of experience."

Mr Warwick also had warnings for life companies offering volume-related incentives.

These incentives were directly against the pronouncements by regulators and Government, even if their payments were being made in a manner that did not infringe the letter of the regulatory rules.

As such, he felt that life companies were provoking both the Government and the SIB to consider more stringent disclosure than the current proposals.

This in turn would renew pressure on independent advisers to reconsider their status just as they were beginning to overcome the problems posed by the financial services regulations and regulators.

Otherwise, the LIA gave a general welcome to the SIB proposals, regarding plans to disclose charges and expenses as being a further step forward in providing consumers with a greater degree of relevant information on their investment than mere commission disclosure.

InterCity travellers see red

By Rachel Johnson

HUNGRY passengers on InterCity trains may not have been surprised to hear last week that the sector has become the only passenger railway network in the world to make a profit.

However, Mr John Prideaux, InterCity's director, insisted that the move into profit had little to do with bumping up fares or the price of a cup of coffee on trains.

Last week InterCity said it had beaten the Government's deadline to move into profit without a subsidy by a full year.

From a loss of £104m in 1987-1988, a profit of £24m was predicted for 1988-1989.

Passengers facing 10 per cent increases in the cost of food on trains as from last week, and 21 per cent increases for their annual season tickets this year, could be forgiven for thinking that InterCity's turnround has been achieved at their expense. The Consumers' Association is agitating on their behalf about what it calls "the price of coffee syndrome" – when how much you pay bears no relation to what you get.

"How can an organisation pride itself on lurching into profit by extracting the last penny it can from passengers?" said Mr Tom Jaine, editor of this year's Good Food Guide, published by the association.

The cost of tea, coffee, sandwiches and snacks went up by about 10 per cent in April, to widespread consumer dismay. InterCity also increased the cost of breakfasts. First-class passengers on the Pullman services now pay £9.95, which the Consumers' Association estimates is more expensive than the Savoy.

As from last week main courses for dinner on the trains cost from £9.50 for pasta with tomato sauce to £12.95 for poached Scotch salmon. Last year most main courses were under £10. The price of coffee rose by 20 pence.

The Consumers' Association said these were top quality West End restaurant prices but the consumer was getting a cook-chill offering.

InterCity, however, describes the increases as "product changes and much more differentiation" resulting from a better understanding of the market.

The new prices are ahead of the rate of inflation, but the net cost of providing the services rose threefold last year.

Timeshare sales methods attacked

By David Churchill, Leisure Industries Correspondent

THE PROMOTIONAL methods used to attract holiday timeshare buyers have been sharply criticised by the Advertising Standards Authority, the watchdog body for press advertising and other forms of sales promotion.

In its latest report on advertising complaints made by the public the authority says that although timeshare has been around for several years, "it has clearly not settled down to the extent of avoiding offence by the sales methods of all its members."

Timeshare is the system whereby consumers are able to buy a period of time each year in a property, usually in a holiday resort and often as a hedge against rising holiday prices.

In spite of criticisms it is still one of the fastest growing sectors of the holiday market.

There are more than 1.3m timeshare properties worldwide and at least 120,000 Britons have bought a share in a timeshare property. Sales to British owners in the UK and overseas now total more than £250m.

The authority points out that "a source of anger, as reflected in a regular string of complaints to the authority, is the sometimes ludicrous gimmickry used in mail shots to prospective customers to try to make the letters look different from other unsolicited mail."

It cites the example of a US-originated timeshare offer by post which had envelopes over-printed with the words 'Royal Postmaster' to attract attention.

"There is an assortment of gimmicks to suggest urgency," it says. "Some letters contain what appears, through the window on the envelope, to be a genuine cheque."

It believes that many of these letters do not make it clear that the purpose is to sell timeshares.

Bundespost to take stake in pocket-phone system

By Hugo Dixon

THE BUNDESPOST, West Germany's state-owned telecommunications operator, has agreed to take a stake of about 10 per cent in one of the UK's telepoint networks, the revolutionary pocket-phone system due to start later this year.

The Bundespost is joining Phonepoint, the telepoint consortium led by British Telecom. Other shareholders are STC, the UK electronics company, France Telecom and Nynex, which runs New York's telephone network.

BT originally had a 60 per cent stake in the consortium, but the Government said it would have to reduce this to under 50 per cent and that Phonepoint would have to be run on an arms-length basis from BT to avoid it dominating the market.

The Bundespost has been talking to BT about taking the excess shares for several months. Ms Sandra Rogers, Phonepoint's marketing manager, said that an agreement in principle had now been reached.

The addition of the Bundespost to Phonepoint will put the consortium in an excellent position to develop international telepoint services, as its shareholders have a strong presence in four of the world's leading economies.

UK NEWS

Most company pensions 'lagging behind inflation'

By Eric Short, Pensions Correspondent

INCREASES being made by company pension schemes to pensions paid to pensioners are lagging behind inflation, according to the latest survey from leading consulting actuaries, R. Watson & Sons.

The firm's ongoing survey of pension increases shows an average rise of 4.7 per cent to pension payments in the 12 months to January 1, 1989.

The increase in the Retail Price Index over the same period was 6.8 per cent, while the earning index rose by 10.8 per cent.

The majority of company pension schemes provide pensions at retirement, based on the salary of the employee at or near the time of retirement and the number of years' membership. An employee's pension entitlement during his working life is therefore effectively revalued in line with earnings increases.

But when pension payments start, future increases to offset inflation are usually made at the discretion of the scheme trustees and the employer. The increases depend largely on the surpluses in the scheme to fund those payments.

Very few private sector schemes even match, let alone guarantee, inflation increases, as is the position with public sector schemes.

Company schemes have for several years been in a sound financial position, with substantial surpluses, thanks to a buoyant asset position.

Pension actuaries base equity asset values on dividend flows rather than market values. UK equity dividends rose 16.1 per cent in 1988, according to the Watson survey, so company schemes should still be recording substantial surpluses.

Companies are dividing their surpluses between pensioners, by increasing pension payments, and shareholders, through contribution holidays.

The evidence of the latest survey from R. Watson indicates that employers and trustees should be putting more emphasis on further pension increases when considering the use of surpluses, and less on continuing contribution holidays.

A recent report from the Occupational Pensions Board on the rights of employees and employers in occupational pension schemes referred to the rising expectations of employees and pensioners towards their payments.

The board urged that schemes should revalue pensions in line with inflation at least up to 5 per cent a year, but refrained from recommending this revaluation to be a statutory requirement unless the pension scheme was being wound-up.

Mineral water sales soar

By Lisa Wood

MINERAL water sales in the UK are still growing at a much faster rate than any sector of the soft drinks industry, according to a review of the market by Perrier (UK), the market leader.

Total sales of bottled water in 1988 were up by 30 per cent over the previous year, said the report. It estimates that more than 175m litres of mineral water were drunk last year.

The market, now worth £130m, has grown by 145 per cent in the last three years and the industry forecasts sales will reach £200m by the early 1990s.

UK consumption in 1988, at three litres per capita, still lags well behind that of most Continental countries. France heads the league table with 83 litres a head.

Of the 30 plus brands of mineral water available in the UK, Perrier, Evian and own label account for 72 per cent of the total market, leaving only 28 per cent to be shared by other UK, Italian, Swedish, Belgian and French waters.

Financiers support survival of the fittest

By Clive Wolman

IN THE WAKE of American power breakfasts, huge performance-linked bonuses, and rapid hiring and firing, City financiers are now having to cope with US-style luxury sports and fitness clubs.

Mr David Giampaolo, the former "body-sculpting" Mr Florida (lightweight division) who last year established the Barbican Health and Fitness Club – with its £800 joining fee – for the giant US Bally Health and Tennis Corporation, has returned.

His new company, Espree Leisure, last month received £3m of equity finance from British and Commonwealth Holdings, the financial services conglomerate, and the LET Leisure subsidiary of the property company London and Edinburgh Trust.

It is now poised to sign a deal for a 25-year lease on a 23,000 square foot basement on the east side of the City of London near Tower Bridge.

The site will be refurbished as a fitness club full of muscle-building and exercise machines scheduled to open in mid-1990.

Another 30,000 square feet of fitness club is scheduled to open in London's docklands at about the same time.

Apart from the Barbican Club, which has built its membership to almost 5,000, the only other US-style sports and fitness club in the City is the recently refurbished Cannons, adjoining Cannon Street railway station.

Another luxury sports club, Cottons, has been established just south of the Thames near London Bridge and a club in the Broadgate development near Liverpool Street station is due to open shortly.

The Espree team includes two other former directors of the Barbican club, Mr Andrew Campbell and Mr Andrew Ripley, and Mr Lynn Boeke, a US architect specialising in the design of sports and health clubs.

BNFL reprocessing set to grow as Bavarian plan fades

By David Goodhart in Bonn

BRITISH Nuclear Fuels Ltd is hoping to be one of the main beneficiaries from the expected decision not to proceed with the giant West German nuclear reprocessing plant at Wackersdorf in Bavaria and may try to raise its capacity significantly to accommodate the work.

BNFL confirmed yesterday it had made an offer to the German Association for Nuclear Fuel Recycling following the move by Veba, one of the German utilities behind the Wackersdorf project, to form a recycling venture with the French group Cogema.

That decision by Veba has thrown into doubt the future of the half-built Wackersdorf plant. A firm decision not to proceed is expected next month.

Abandoning Wackersdorf will mean several thousand tonnes of nuclear fuel per year coming on to the recycling market in the late 1990s. According to German press reports, BNFL is hoping to attract a large slice of that market by undercutting Cogema.

State-owned BNFL, which currently recycles uranium and plutonium only for the CEGB, ought to be well placed to snap up extra international business when it completes its Thorp recycling plant at Sellafield in 1992. The Thorp plant can recycle spent fuel rods from PWR and AGR reactors and not just Magnox reactors as is the case at Sellafield.

BNFL boasts that it has already sold most of its capacity for the first 10 years of operation at Thorp but Mr Bob Phillips, chief spokesman, said: "We are examining whether we can raise our capacity over 10 years to 7,000 tonnes from the currently planned 6,000."

Mr Phillips said that German utilities were already the second biggest group of customers for the Thorp plant with about 800 tonnes booked for the first 10 years. The Japanese were the biggest customers with 2,000 tonnes.

If the German utilities do consider taking a larger share of the Thorp operation they may do so only on condition that they are allowed a stake in the equity or management of BNFL as is being suggested by Veba in relation to Cogema.

A long-term deal with the Germans could be especially attractive if the CEGB – which has expressed some dissatisfaction with BNFL in the past – were allowed to seek other recycling sources, although such an Anglo-German recycling agreement might be less attractive to the Germans if the main domestic customer had abandoned BNFL.

Critics of recycling say that recycled uranium is far more expensive than new uranium and the plutonium can only be used in bombs. Anti-nuclear critics also fear that in the long run Sellafield will merely become a dumping ground for German nuclear waste which cannot be stored in Germany because of the stronger environmental movement.

Nuclear power station output rises by 35% in first quarter

By Maurice Samuelson

OUTPUT from Britain's nuclear power stations rose sharply by 35 per cent in the first quarter of 1989 while the combined output from coal and oil-fired stations fell by 7.8 per cent, government figures show.

Nuclear power stations performed as if they had burned the equivalent of 6.76m tonnes of coal, compared with less than 4.9m tonnes a year earlier.

The figures, in the Department of Energy's monthly statistical bulletin, reflect the marked recovery of the country's Advanced Gas-cooled Reactors from the troubles of a year previously.

They also fit in with the Government's desire that a lower proportion of electricity should come from fossil-fuel stations both in the interests of fuel security and the alleged impact on the atmosphere.

Nevertheless, coal remains by far the staple fuel for electricity production, accounting for about 77.5 per cent of total power station fuel use in 1988.

The first quarter of the year also saw a 7.8 per cent increase in coal production compared with the same period a year earlier, reflecting the industry's smoother labour relations and investment in heavy duty machinery.

Deep-mined output in the first quarter was up 10 per cent and opencast was up 2.5 per cent. There was also a 2.5 per cent rise in imports and 9 per cent drop in exports of coal.

But because of the mild winter, stocks of coal in March reached 37m tonnes, the second highest level for five years.

Another set of energy statistics, also produced at the weekend, showed the UK's North Sea oil output at its lowest level for nearly a decade.

The Royal Bank of Scotland's latest analysis said the amount of oil produced in the UK sector of the North Sea was 34 per cent down last month on the same period in 1988. April's figure of 1.71 million barrels produced on an average day was the lowest since 1980.

Much of the slump was blamed on the explosion and consequent shutdown of the Cormorant Alpha field earlier this year.

The Royal Bank said the situation was likely to improve in the second half of the year as new fields came on stream.

The Shetland terminal receiving oil from Cormorant 'A' averaged just over 700,000 barrels a day in April – 270,000 below March's level – but a return to full production at the Fulmar field partly offset the loss.

A series of shutdowns left only 28 of the 38 UK fields operating but some were expected to re-open later this summer.

INVESTIGATION INTO THE CLAPHAM JUNCTION RAILWAY ACCIDENT

FINAL DAY

Final submissions on the evidence presented to the Clapham Junction Investigation, will take place at Westminster Central Hall, Storey's Gate, London SW1, on Tuesday 6 June 1989 at 9.30 am.

Counsel for each represented party will have the opportunity to address the Court referring to the written submissions which they will have prepared in advance. Reference copies will be available for members of the public.

Any enquiries should be made to the Clapham Junction Investigation Secretariat on 01-276 0838.

UK NEWS

Union prepares to call docks strike

By Charles Leadbeater, Labour Editor

THE TRANSPORT and General Workers Union seems almost certain to call a national dock strike if port employers fail to win an injunction against industrial action in the Court of Appeal this week.

The appeal, following the High Court's refusal last Saturday to grant the employers an injunction, is expected to start on Thursday and is likely to last only two or three days.

The TGWU's regional secretaries, national officials and local docks officers will gather at the union's London headquarters on Wednesday to lay detailed plans for the strike.

Each of the union's 9,400 registered dockers will also receive a letter from Mr Ron Todd, the TGWU's general secretary, outlining the union's dispute strategy.

The move comes almost seven weeks after the union's national docks committee first considered a strike ballot over plans to abolish the National Dock Labour Scheme, which has regulated most dock work since 1947.

Mr Bill Morris the union's deputy general secretary said yesterday the union would not be seeking further talks with port employers for negotiations to replace the statutory scheme with a national agreement.

The union has to call a strike by June 15, 28 days after the close of the strike ballot, in which dockers voted by three to one for action.

Mr Nicholas Finney, director of the National Association of Port Employers conceded a strike now seemed inevitable, following the High Court ruling that the union was pursuing a lawful trade dispute rather than a political protest.

Mr Justice Millet said the employers' had only a remote chance of showing the strike was aimed at forcing the Government to withdraw its legislation, rather than reaching a national agreement.

Mr Finney said the employers could not compromise on their insistence that terms and conditions should be governed by local agreements.

The TGWU wants local talks over pay and changes to working practices to be conducted within a national framework covering training, overtime and shift rates, sick pay and health and safety.

Dockers chart a steady course for industrial action

A port strike appears inevitable, reports Charles Leadbeater

'Marching in step': Bill Morris (left) and Ron Todd

THE CONFLICT over the abolition of the National Dock Labour Scheme, which regulates employment in most of Britain's ports, is about to shed the political and legal garb which has shrouded it for the last seven weeks, to emerge as a purely industrial dispute.

On Thursday, port employers are expected to start their appeal against Saturday's High Court ruling that the strike was a lawful trade dispute rather than a political protest. It seems likely that the appeal will fail after Mr Justice Millet warned the employers their chances of gaining an injunction preventing the TGWU transport union from proceeding with the strike were very remote.

Mr Bill Morris, the TGWU deputy general secretary, said yesterday: "If the appeal goes our way, we are all set for go. We have not come this far to snatch defeat from the jaws of victory."

Neither the union nor the National Association of Port Employers (Nepe) are prepared to call for talks or a reference to Acas, the conciliation service. A strike from next week, involving the 9,400 registered dockers in about 63 ports covered by the scheme, seems almost inevitable.

The strike will be the fourth phase of the TGWU's strategy: *perhaps the most carefully-laid* union plan this decade for an industrial dispute.

The first phase – to establish an agreed position within the union – began the day after the Government's announcement on April 6 that the scheme would be abolished in July.

The union's national docks committee had expected to call an immediate strike ballot. But Mr Ron Todd, union general secretary, intervened, arguing that a strike aimed at persuading the Government to change its mind was bound to fail. He urged the committee to call a strike aimed at pressuring employers to replace the statutory scheme with a national collective agreement.

A special meeting of the union's general executive council on April 14 finally backed Mr Todd. Since then, the national docks committee, the dockers delegate conference, the executive and national officials have been marching in step.

That provided the foundations for the second phase, which lasted almost five weeks, aimed at preparing the ground for a legal trade dispute with port employers.

The leadership delayed calling a strike ballot to distance the vote from the Government's move, thereby making it more difficult for the employers to argue that the strike was political.

They held talks with the National Association of Port Employers to show the issue *was a trade dispute to be set*tled across the negotiating table rather than the floor of the House of Commons.

The union adopted some of the communications techniques commonly used by companies to win workers' loyalty. Dockers received copies of the union paper at home detailing Mr Todd's case, with a supporting letter from Mr John Connolly, the union's docks officer.

The union's legal advisers had been involved from the start. They came into their own in the crucial third phase – the court hearing, which started on May 18. The High Court's decision means the union can proceed with a strike, free from the threat of being crippled by further legal action, fines or sequestration.

But the court's sanction may also defuse the strike as a political issue. Having first called for negotiations, the union is on the verge of conducting a lawful, democratic strike. The court ruling will make it harder for employers and ministers to attack the union.

With the legal and political gloss stripped away, the fourth phase can now begin – the underlying industrial dispute.

The union is confident it can win, with the dockers' patient anger channelled through a tightly controlled, centralised strategy to force the employers *into national talks.*

Dockers voted for industrial action by 6,338 to 2,191 in a 90.8 per cent turnout. The ports under the National Dock Labour Scheme handle about 70 per cent by volume of non-oil trade. A recent poll suggested more than 70 per cent of companies would be hit by a strike. The union says the strike will be solid, and employers will come under increasing pressure to settle.

Ports under the scheme account for only 47 per cent of trade by value, however, down from about 80 per cent in the 1970s. Major employers such as Associated British Ports (ABP) which control about 25 per cent of UK port capacity and the Port of London claim that between a half and two-thirds of their cargo would be unaffected.

ABP has an incentive to sit out a long dispute. It expects to gain £20m a year within three to five years as distribution and warehousing companies are attracted to deregulated ports.

Employers believe the union's disciplined strength will be sapped by the *flow* of trade through non-scheme ports and revolts at small ports which have not voted for a strike.

The dispute will have to go through at least one more phase before it ends – a negotiated settlement. The question *is whether that will take place* nationally or locally; and, at the moment, there are few signs that that phase will reach an easy conclusion.

London rail drivers set for 24-hour stoppage

By Charles Leadbeater

THE LONDON Underground railway seems almost certain to be hit by a further 24-hour unofficial strike by train drivers this week, despite a plea from Aslef, the drivers' union, to postpone action until an official ballot is considered.

Mr Dereck Fullick, Aslef's general secretary, said yesterday he thought it was unlikely the action would be lifted despite his call last week for normal working. Mr Fullick said the three day bank holiday weekend would have made it difficult for the organisers of the action to spread word that the strike should be suspended.

He said he thought it unlikely the strike would start today, but said it was quite likely on Wednesday or Thursday.

Mr Fullick said he had been told the leaders of the unofficial action had not dismissed his call out of hand. "When people are running something unofficial like this they are all geared up and it is very difficult to stop it," he said.

Aslef's executive is expected on Thursday to consider calling an unofficial ballot over the extension of driver-only trains. The union's leadership believes an official ballot would be the most effective way to reassert its authority over the dispute.

The unofficial action, which has hit London Underground four times in the last month, has prompted employment Ministers to consider introducing legislation aimed at preventing wildcat strikes.

CBI MONTHLY SURVEY

Gloomy outlook for industry as orders record steady fall

By Michael Prowse

THE OUTLOOK for British manufacturers is deteriorating, warns the Confederation of British Industry in its May survey of industrial trends, out today.

The proportion of companies reporting below normal order books exceeded those reporting above normal orders for the first time since January 1987. Export orders, on balance, were below normal for the eighth month in succession.

The downturn in industrial orders, taken with last week's sharp decline in retail sales, provides further evidence of a rapidly softening economy.

"The Chancellor's medicine has already started to work," said Mr David Wigglesworth, chairman of the CBI's economic situation committee. "And the further increase in interest rates to 14 per cent could be damaging to British industry."

The survey found 24 per cent of companies had below normal orders and 19 per cent above normal orders. The negative balance of 5 per cent contrasts with strong positive balances recorded throughout 1988. Demand was weakest in textiles and most buoyant in mechanical engineering.

Export orders were weaker than domestic orders, with 27 per cent of companies reporting below normal order books against 18 per cent with above normal orders. The negative balance of 9 per cent confirmed the downward trend which began last summer. Orders were weakest for small companies.

The orders figures reveal a significant narrowing in the gap between domestic and export demand in recent months. As orders reflect the pattern of future production, this suggests manufacturers may be switching production from home to export markets – a development eagerly awaited by the Treasury.

The survey's findings on stocks, output and prices are relatively encouraging. With the exception of motor vehicles, food, drink and tobacco, stocks were considered to be more than adequate to meet demand.

Some 31 per cent of companies said they expected output to increase over the next four months, while only 13 per cent forecast a decrease. The positive balance of 18 per cent, while healthy, was well below the strong growth expectations of last year.

The balance of companies saying they expected to be able to increase domestic prices over the next four months was the lowest since last September, suggesting a lessening of inflationary pressures.

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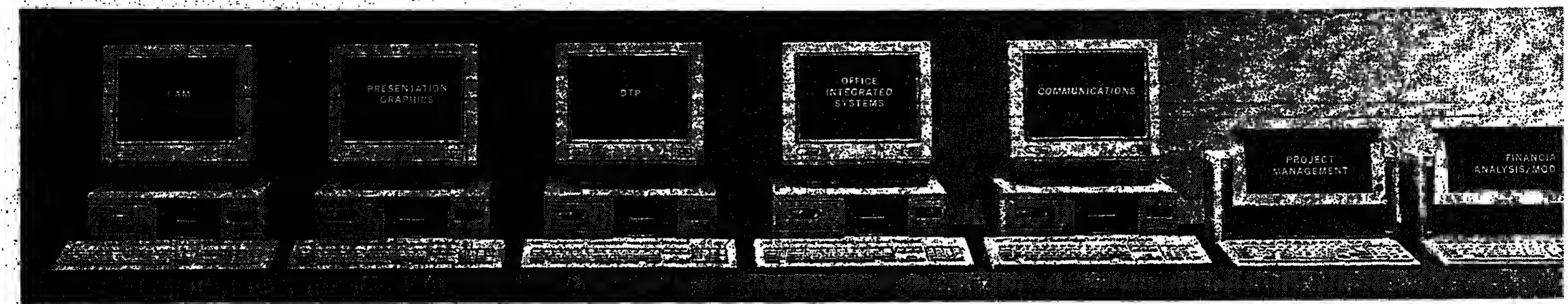

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UK NEWS

Trade surplus for VCR and TV producers

By Terry Dodsworth, Industrial Editor

UK PRODUCERS of colour televisions and video cassette recorders achieved a trading surplus in the first quarter of this year after several years of heavy deficits.

The swing to a positive trade balance follows several years of mounting investment in British manufacturing by Japanese and other overseas consumer electronics companies. All the large-volume producers in the industry are now foreign-owned.

According to the British Radio and Electronic Equipment Manufacturers' Association the first quarter surplus amounted to £13.4m for colour televisions and £2.6m for VCRs. The association described the figures as "very good news for the UK."

Television producers earned a slight £400,000 surplus in 1987 but ran up an £11.9m trade deficit last year, when imports amounted to £238.1m against exports of £226.2m. The VCR industry, which was largely developed in Japan, has never before achieved a positive trade balance in the UK.

The deficit has been falling sharply in recent years, however, with the rapid growth of production in Britain, which only began at a significant level five years ago. Last year the imbalance was virtually halved to £96m compared with £182m in 1987.

Despite the turnaround in colour television and VCR trade the UK is still running a substantial overall deficit in the consumer electronics sector.

Component imports for use in British assembly plants are not counted in the association's figures, and despite the development of UK sourcing these purchases are still very strong.

At the same time trade in audio products remains in substantial deficit.

Although first quarter statistics are not yet available, the association's figures show that in 1988 Britain imported £84.4m worth of music centre equipment against exports of £23.7m, leaving a deficit of £60.7m.

In compact disc players, the deficit came to £68.1m, with imports of £73.6m and exports of only £5.5m.

Publicans warn of closures and price rises

By Maggie Urry

A MAJORITY of pub landlords think beer prices would rise and some pubs would be forced to close if the Monopolies and Mergers Commission recommendations on the brewing industry were implemented.

A Mori poll of 401 publicans across England and Wales for Haig Whisky's quarterly industry report found that 52 per cent thought the beer price would rise.

Last month the commission's inquiry into the brewing industry reported that there was a complex monopoly in the supply of beer. Its recommendations to break up this monopoly included preventing any brewer from owning more than 2,000 pubs.

More than half the landlords questioned said they were opposed to the big brewers being forced to sell off thousands of pubs. Nearly three-quarters said it would lead to the closure of many pubs.

More than half agreed that there was a monopoly which worked to the disadvantage of consumers. Three-fifths of the landlords said the recommendations would lead to a wider choice of beer in pubs.

Minister turns a blind eye to planning calls

Hazel Duffy explains why London boroughs are dissatisfied with official policy

PLANNING directors in 33 London boroughs and the City say that the Government has side-stepped the issue of how to make the capital a better place in which to live and work.

Members of the London Planning Advisory Committee (LPAC), representing all the boroughs, agreed this week that they would "try yet again to persuade Mr Nicholas Ridley to provide the sort of strategy which London needs to plan for the 1990s."

Their criticism is directed at the draft strategic guidance which Mr Ridley, Secretary for the Environment, published in March. Mr Ridley had taken advice from LPAC before drawing up the guidance under the mechanism which the Government set up for London after abolishing the Greater London Council.

The planners and councillors believe, however, that he has turned a deaf ear to much of their advice.

London is split politically. There are 14 Tory boroughs, 15 Labour boroughs, three controlled by the centre parties and the City, which is independent. Despite this, agreement is unanimous.

The problem is that the Government does not believe in strategic planning. Instead it believes in delegating planning powers to the local council level (boroughs in London).

Mr Ridley says it is for local people, not the Environment Department, to decide where developments go.

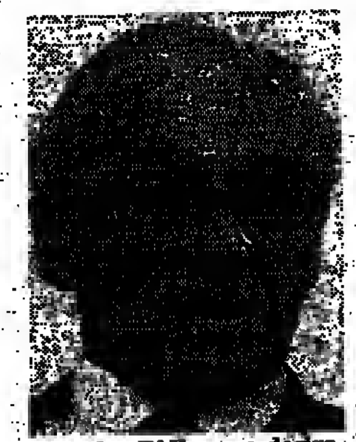
The councils say delegation is fine in principle but the Government must be more specific on the framework.

It must indicate, they say, the way it wants London to develop. Then councils – which are obliged to take the Government's guidance into account – could plan accordingly.

Where should the new shopping centrea be situated? Which boroughs can provide land for new housing? Where will the new offices go? Should land be set aside for light industry? Where do the Government's plans for transport and new roads in London link in with land utilisation?

The need for planning has probably never been more pressing in the booming capital. Building sites in the City testify to the scramble for office space, sparked by growth in the economy generally and the expansion of financial services specifically. Construction workers' helmets hava replaced bowlers as the symbol of the City.

Congestion on public transport reflects the growth in jobs, visitors and prosperity which has concentrated in London over the last few years.



Nicholas Ridley: no desire to plan where people live

Jammed roads are the result of increased car ownership, the inadequacies of public transport and the fact that goods must be delivered to shops day and night to meet demand.

But London also has pockets of wretchedness. High unemployment in some inner London boroughs, ethnic minority tensions and a desperate shortage of cheap living accommodation illustrate the widening disparities in wealth which are characteristic of US cities.

The solution of economic and social problems demands decisions which affect land use, say the boroughs. These decisions cannot be purely local. No borough sees itself as an island.

The last attempt at planning in London was the Greater London Development Plan produced by the Greater London Council, which was the strategic planning authority for the capital. It was modified after an inquiry in the 1970s.

Nobody claims that the GLDP has been a success. Parts of the plan, particularly relating to new roads, were never implemented. Yet no one speaks for London as a whole these days. The framework for planning in the city has been drawn up by a unit at the Environment Department.

The LPAC, set up in the wake of the GLC, laboured for two years. Its agreed document reflected its even political split.

It centred around a vision for London: the capital as a world centre of trade and business, but also a civilised city where residential neighbourhoods would be stable and secure. Its idealistic preamble was backed by concrete plans.

Six months later Mr Ridley sent out his guidance, emphasising the business future of London. There were just vague references to meeting social and employment needs.

Development was to be encouraged in Docklands but LPAC's suggested growth centres were ignored and there was no hint that the brakes had to be applied in central and west London.

On transport, it did no more than restate the plans and various studies already announced by the Transport Department. It provided no basis for co-ordinating land use and transport policy.

Every borough will be required to draw up a plan for its area, based on the Government's final guidance.

As it stands, Labour councillors see the guidance as a licence for developers to build where they want, not necessarily in the city's best interests.

Tory councils are less condemnatory, but they too are unhappy about much of the guidance, fearing its loose wording will provide a bonanza for lawyers and expect developers to appeal increasingly against council decisions.

Mr Ridley is not likely to be moved. He does not want to put any restrictions on development in London or the south-east, other than those in the green belt.

"I believe that it is better not to plan where everybody is going to live and work, but to make them take their decisions in their own economic interests," Mr Ridley said recently.

LPAC will continue to press its viewpoint, as post-GLC planning moves into the closing phase. But it seems to have been a complex and ultimately meaningless exercise.

Ecu fund to invest in unquoted companies

By Charles Batchelor

QUESTER Capital Management, a British venture capital group, plans to raise a Ecu 30m (£20m) fund known as the Parquest Venture Partnership to invest in unquoted European companies. Up to three quarters of the funds will be invested in Britain and France with the remainder going to companies in other European countries.

Parquest plans to invest amounts of between Ecu 500,000 and Ecu 1m in smaller companies which are attempting to expand out of national niche markets into other European countries. It will also buy out retiring directors of family companies and finance the turn-round of struggling companies.

Parquest has set itself a minimum subscription level of Ecu 20m, but hopes to raise around Ecu 30m by first closing date in early summer. CIN Venture Managers, which manages the venture capital activities of the British Coal and British Rail Pension Funds, and Banque Paribas of France have subscribed Ecu 8m to the fund. The British Coal Pension Funds and Paribas are both shareholders in Quester. Three other investors, two of them Japanese, have also said they will invest.

Quester will advise the new fund on its UK investments while Partech Associates, a Paris-based group, will advise on French investments. The new fund has been established in the form of a UK limited partnership and will have a 10-year life.

Quester has raised four funds — three under Business Expansion Scheme rules — since 1984 and has £12.5m under management. Parquest is the second Ecu-denominated venture capital fund to be set up in the past two months.

Newcomers spark 'fierce competition' in furniture

By Maggie Urry

A SHAKE-UP in the £6.8bn a year furniture and carpet retail market has started after years of poor service to consumers, according to a report on the industry from Verdict, the retail research group.

"There is massive scope for the more aggressive retailers to create a competitive edge through distribution, individuality and product style," Verdict concludes.

Fierce competition can be expected in the coming year, the study says, because new entrants are coming into the market just when consumer spending is squeezed by high interest rates and when house moving has slowed.

Furniture sales have largely missed out on the consumer boom of the mid-1980s, Verdict says, although in 1988 sales rose by 12 per cent.

It says furniture shops have been drab places, filled with poor products, unimaginatively displayed, typified by brown suites and teak veneer wall units. Customers have received poor service, notably on delivery. As a result per capita expenditure on furniture in the UK is low compared with other developed countries and the trade has often resorted to price cutting.

It has taken the arrival of outsiders such as Marks and Spencer and Ikea, the Swedish-owned group, to push established players into improving.

It will take heavy advertising to persuade customers that things have changed, though, as visits to furniture shops are rare.

There are no overwhelmingly powerful leaders in the sector, Verdict says. MFI, which has made its reputation in flat-pack furniture, has the largest market share with 9.8 per cent. Lowndes Queensway is a close second with 9.4 per cent.

Only four other chains have more than 1 per cent of the market.

Verdict on Furniture and Carpet Retailers. £450 from Verdict Research, 112 High Holborn, London WC1V 6JS.

MANAGEMENT: The Growing Business

Pricing

More than cost plus

Charles Batchelor explains why, for too many companies, what to charge for a product is an arbitrary decision

Marlborough Military *Models*, a manufacturer of model soldiers and historical figures based in Pontycymmer, South Wales, recently launched a range of Indian warriors who fought on stilts. Because of the extra work involved in painting an intricate pattern of rainbow stripes on the stilts Marlborough set the trade price of a set of six of the warriors at £85, more than double its usual price.

"I thought we had gone over the top," says Jan Scroby, who set the company up in 1983 with her husband Frank. "But the labour involved in painting amounts to half of our costs and we had to build in quite a bit extra in the price to take account of that."

If customer reaction is anything to go by the Scrobys got the price right, for none of the collectors who buy their products complained. Marlborough, which employs 30 people and has projected a 1989 turnover of £150,000, stays in close touch with its customers around the world and has a good idea of what will appeal to them.

The success of the stilt warriors may have given the Scrobys a new confidence in their ability to gauge what their customers will pay but many businesses have great difficulty in pricing their products or services.

"Companies often have no idea of what to charge," says Mike Feinson, a director of Euro Marketors Partnership, a food marketing consultancy. "They take the cost price and add a margin to cover their overheads. Then they offer arbitrary discounts."

This obsession with cost is what leads many companies astray when it comes to calculating a realistic price for their products, in the view of most marketing specialists. "People look askance when you say price has nothing to do with cost," says Neville Wills, of The Gryphon Group Consultancy. "In fact, price has everything to do with people's perception of your product. There are some products where cost is irrelevant to price, such as cosmetics."

But it is this leap into the mind of the customer which the managers of many growing businesses find so difficult to make. The idea of pricing their products up to the maximum the market will bear is an approach which many find smacks of exploitation.

Yet many companies find that, if their product is valued by their customers, they can increase their prices without losing business. Oasis Projects, an Addlestone, Surrey, based supplier of computer switching equipment-cum-consultancy started out two years ago pricing its consultancy service at the lower end of the going rate. As it has established a name for itself it has increased its charges. "Wa have moved our prices up with no adverse reaction," says Nick King, the founder.

King says he could afford to start out charging relatively low consultancy fees because, as a small company, his overheads were low. But the problem for many new companies is that they cannot calculate their costs correctly.

"Often small company owners don't take their own time or the cost of postage or telephone bills into consideration," says Gerry Dowds, spokesman for the Forum of Private Business. When the business grows and starts paying Value Added Tax and employing people whose time does have to be paid for they find their costings — and their prices — are hopelessly inadequate.

It is not only in the early stages that costs can prove difficult to calculate. Rapidly growing businesses often lose track of their costs, warns Mark Pavan of Mapa management consultants. "As a company grows it has fewer productive people. It needs a secretary, a more prestigious location. It loses control of its cost base. A lot of £1m turnover companies go through that. Their prices are no longer related to their current costs."

An obsession with costs frequently leads companies to judge their own competitiveness purely in terms of price. They respond to price cuts by their competitors with matching reductions of their own but fail to consider whether their customers are buying their products for reasons other than price.

For the small company price is usually the least effective weapon. It normally lacks the resources or a large share of its markets to usa price as a means of defeating the competition. Pure Malt Products, an old established flour miller and malt producer based at Haddington, east of Edinburgh, decided in the early 1980s that its best course was to get out of commodity markets into niche markets where it could offer specialised products at a higher price.

By 1985 it had developed a malt extract which food manufacturers could use in place of caramel colour, which was suspected of being carcinogenic. The malt extract costs four times as much as caramel colour and had to be priced accordingly. But Pure Malt was first into the market and its nearest competitor made a lower quality product.

Other competitors have since emerged, says Tom Thomson a director and general manager of the £3m turnover company. "But we are not using pricing to compete at all. We offer higher quality and a wider application than the competition."

Nevertheless Pure Malt still has to set a price. How does it do this? "The price area is calculated from costs and overheads, from the likely market size and the preferred return on capital," explains Thomson. "Then one takes into account what one thinks the market will bear and how the customers will react." Costs are considered but are only one element in a calculation which is based ultimately on the market, he says.

Apart from listening to his customers the businessman must also take into account the competition. "Don't expect them to sit around and watch you put new products into the market," says Ian Griffith, director of marketing at the Institute of Marketing. "Unless you build flexibility into your price, if the competition comes in below you, you will have nowhere to go."

Discounts are one way of responding to competition but they must be used carefully if the company is not to give away all of its profit margin. In the food sector on the Continent, for example, discounts to buyers and to customers are an important part of the price calculation.

Buyers are often judged on the discounts they negotiate rather than the price, explains Mike Feinson. A standard tactic for some buyers is to agree to a 10 per cent discount but then to come back and say they can only place the order if the discount is 15 per cent. Unless the vendor increases his price by 15 per cent before he goes into the negotiations his margins will be reduced or disappear.

Businessmen with a product to sell must also take into account the distribution structure of the industry they are in. The large multiple grocery chains expect to pay less for the large volumes they require than grocery wholesalers or smaller retailers. If the food manufacturer has based his prices on the level at which he can sell to the smaller customers he will have difficulty shaving his margins for the large multiples when he starts dealing with them.

Companies should take into account their customers and the competition when setting prices, marketing experts say. But they should be wary of advice that comes from their own sales forces. "Lots of companies rely too much on their salesmen when setting prices," says Neville Wills. "Salesmen will resist any increase because it makes their job more difficult."

Setting prices and monitoring costs should be a continuous process though many companies cling on to outdated cost and price calculations when customers and their products have changed. Pure Malt reviews costs monthly and prices usually every year.

Marlborough Models produces costings every week "down to the last penny." But however scientifically a company attempts to price its products an element of uncertainty remains. Customers are quick to point out if they think a product is too expensive, says Jan Scroby. But, she adds: "There is no feedback that we are underpricing."

Jan Scroby: Thought that she had "gone over the top" with pricing of a new Indian warrior model range

Red tape goes on growing

Government regulations cost business large sums of money with a disproportionate part of the burden falling on the smaller company. Despite attempts in many countries to reduce the cost of red tape many officials concede that the most that has been achieved has been a slowing down of the rate of increase.

The cost of complying with government regulations, including the cost of administering (though not of paying) taxes may equal defence spending in countries such as Britain and West Germany, according to Graham Bannock, a small business consultant, in Governments and Small Business.*

It is not easy for officials in public administration to appreciate the weight of the burden their activities place on business because few of these officials have personal experience of business, particularly of small business, Bannock says. Few officials come into contact with business people and those who do are of relatively junior status.

Another difficulty is that officials are only fully aware of the regulations for which they are responsible and not those of their colleagues. Businesspeople, in contrast, have to deal with all of them and have to keep informed about government requirements as well as run their businesses.

The burden falls most heavily on the small company because it has limited administrative resources and cannot achieve any economies of scale in dealing with government requirements. Since small businesspeople are often unable to delegate, dealing with the regulations involves the proprietor'a own time which is the most valuable resource in the business.

In a large company the volume of work involved in dealing with matters sncb ae Value Added Tax, employment legislation and local authority planning regulations allowa for the employment of specialists.

Most industrialised countries are now attempting to reverse the growth of burdens on business. Britain has set up an Enterprise and Deregulation Unit while the European Commission created a taak force for small and medium-sized enterprises, now renamed the directorate general for enterprise.

Steps which have been taken to reduce the burden of legislation include: requiring government departments to prepare 'impact statementa' on the effect on business of any new proposals; simplifying procedures by creating one-stop advice bureaux and by co-ordinating demands for information from different departments.

Outmoded, unnecessary or overlapping legislation can be scrapped or replaced with general requirements backed by codes of conduct. Firms below a certain size can be given special treatment by making certain administrativa burdens optional.

However, a really significant reduction in government burdens will not be achieved until public administrations become more sympathetic to the needs of the business sector, Bannock suggests. Some countries are considering offering incentives to stimulate greater responsiveness to the needs of the public.

**By Graham Bannock and Alan Peacock. 278 pages. £29.95. Paul Chapman Publishing.*

Charles Batchelor

In brief...

■ A Centre for Enterprise has been established by the London Business School to co-ordinate the school's range of training and research services for small and medium-sized businesses.

The centre is to introduce a series of short courses and seminars on subjects such as valuing companies, legal questions and negotiating, alongside existing longer training courses. It also plans to increase the availability of its research into smaller firms.

When small business options were added to the LBS's curriculum 15 years ago few students took them up. Now more than half the student population takes these courses, says Catherine Gurling, the centre's director.

Contact LBS, Sussex Place, Regent's Park, London NW1 4SA. Tel 01-262 5050.

■ National Westminster Bank has set up a Technology Unit and a Seed Capital Loan Fund aimed at helping technology-based small firms. The unit comprises a network of local managers who have been trained to understand the needs of technology companies, the bank says.

The loan fund will provide funding of between £5,000 and £50,000 to help fledgling businesses research and develop new ideas and products to bring them to the stage of market launch. Finance will come from National Westminster Growth Options, the bank's venture capital subsidiary. Part of the loans may be converted into equity.

■ Business in the Community (BIC), the umbrella organisation for Britain's 300 enterprise agencies is to mark the tenth anniversary of the movement's foundation in June with the launch of an Enterprise Works campaign to attract more private sector support.

Enterprise agencies receive annual funds of £34m, nearly half of which comes from 5,000 private sector sponsors. Government funding is being reduced however and the agencies are preparing to increase the amount of finance which they raise themselves.

■ Managing the growing business is the subject of a range of short courses to be held in London starting in June. The part-time courses spread over seven weeks are designed to improve financial, marketing and personnel skills.

Contact The Enterprise Partnership, 15 Park House, 140 Battersea Park Road, London SW11 4NB. Tel 01 627 4991. Fees from £250 to £295.

■ A new export guarantea package suitable for the small exporter has been created by TSB England & Wales. The package, called Trade Assured for Smaller Exporters, sets no minimum turnover limit for customers seeking protection against non-payment or delayed payments.

This contrasts with some other export schemes which specify minimum turnover levels of between £500,000 and £1m, TSB said. The smaller exporters scheme provides 100 per cent export finance for businesses with turnover up to £1m and has been arranged in conjunction with the Export Credits Guarantee Department.

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SCOTT BADER

Goya's portrait of the Marquesa de Santa Cruz, 1805

Goya: captured the spirit of his age

Denys Sutton reviews a major survey of the artist's work, currently in New York

Francisco Goya (1746-1828) is one of the most unusual and brilliant artists of his period, not only on account of his technique but his powerful and at times almost lurid imagination. He bridged two worlds, that of the late 18th century with its pastoralism and delight in charm and that of the 19th century with its turmoil and revolution.

The major survey of his art, seen in Madrid and Boston and currently at The Metropolitan Museum of Art, New York, will undoubtedly appeal to enthusiasts for this master as well as to a wider public. Yet qualifications have to be made about the nature of the show. It is presented as one dealing with Goya and the spirit of Enlightenment, which is treated at length in an enormous catalogue. Although the essays in it are interesting, notably Nigel Glendinning's of Goya's circle, the entries are far too extensive and often of a speculative nature.

As the theme of the exhibition is essentially an intellectual one, and as it seeks to make a contribution to cultural history, it should have contained a section devoted to those publications and other documents that constitute the background to the Enlightenment in Spain.

Obviously the subject matter of many of the drawings and prints, which are admirably selected, is closely connected with contemporary problems and preoccupations; but what about the portraits? It is tempting to ask if most of these reveal Goya as an exponent of Enlightenment; it may well be that we read into them information gleaned from the catalogue.

Portraits such as those of the Condesa-duquesa de Benavente, 1785 (March Foundation), or of the same sitter and her family of 1788 in the Prado (she has married the Duques de Osuna in 1771 but was generally known under her maiden name) are typical 18th century compositions in which emphasis is placed on fashion and domesticity and, as such, they may be related to much English or French portrait painting of the era.

The realism evident in the later portraits is not necessarily Spanish: this sort of approach may be found in North Italian painting, and Goya had visited Lombardy on his trip to Italy in 1770. His ability to respond to the new style that emerged at the turn of the century recalls J.L. David's development, but he never became such a rigid neoclassical painter as the French master. Goya's skill in creating his own version of the radical movement of the day is revealed in his alluring portrait of the Marquesa de Santa Cruz with a lyre of 1805 in the Prado. This picture helps to explain Manet's passion for Spanish art.

Obviously it is valuable to know about the personalities of Goya's sitters and their backgrounds. The catalogue suggests that the portrait of Goya's friend Jovellanos, a leading apostle of the Enlightenment, dating from 1798 (Prado) depicts him reflecting on "the grave responsibilities of his position" as Minister of Justice and Religion. Yet in the last analysis the impact made by this portrait and others of the same sort lies not so much in their content (however this may be interpreted), as in their visual qualities – the bold brush strokes and golden-hued paint that indicate the furniture in this picture, or the brio of the handling of the plumes on the hat and the rich sash in the portrait of Ferdinand Guillemardet, 1798 (Louvre), executed with a sharpness of vision worthy of Stendhal.

Goya's circle included many of the most fascinating Spaniards of his time. One of these was Bartolomé Sureda, who combined a love of art with the drive of an entrepreneur and who spent several years in England. Goya's portrait of him of 1804-6 in the National Gallery of Art, Washington DC is especially brilliant: once again appreciation of it depends less on our knowledge of the sitter's life than on an awareness of the way in which Goya renders the "still life" of the hat with its red lining and the delicate grey tonalities of the coat that are contrasted with the white, red and blue colours of the cravat and shirt.

That Goya had an immense gift for evoking atmosphere is shown in the portrait of the Condesa de Chinchón, 1800 (private collection) in which the figure is picked out as if by a spotlight. His eye for colour, as is often the case with Spanish painters, is shown at its best with low-key contrasts and is evident in "Maja and Celestina on a Balcony", 1808-12 (March Severa Collection), which harks back to the tradition of Murillo.

One of Goya's most original paintings is the portrait of Dr. Arrieta tending the artist, 1820 (Minneapolis) in which the enigmatic figures in the background appear like Fates. The broadly treated areas of paint in the garments recall those associated with late Titian or late Rembrandt: the darkish hues are offset by the refined crimson of the coverlet. This is a picture that conveys an understanding of humanity in tune with that found in Beethoven's late quartets.

Beethoven comes to mind when looking at the "Courtyard with Lunatics," 1793-4 (Meadows Collection), or the "Prison Interior", 1808-12 (Bowes Museum, Durham): the latter could serve as a setting for *Fidelio*. The claim that Goya was a painter of light may be interpreted in more that one way; he was a master of chiaroscuro. The extent of the influence on him of Dutch painting might well be examined.

Goya's virtuosity is astonishing. The artist, who became famous for his black paintings, was also the creator in his early years of such tapestry cartoons as "Winter," 1786 (Prado) or "Highwaymen attacking a coach," 1786-7 (private collection), which was commissioned by the Duquesa de Osuna and is in the picaresque tradition, presenting the sort of romantic image of Spain that captivated Théophile Gautier and Richard Ford.

In view of his interest in modern life, it was hardly surprising that Goya should have undertaken in 1812 to paint "An Allegory on the Constitution of 1812" (National museum, Stockholm), which for many will prove one of the "discoveries" of the exhibition now that it has been freed from old restorations. Goya's desire to comment on contemporary events and to find a means of presenting them in symbolical terms, give profundity and vivacity to his many drawings and prints: the use of wash in the former enabled him to create an atmosphere of mystery. That interpretation of such works gives rise to different explanations is a sign of the inventive genius of a master who in many ways captured the spirit of his age.

This exhibition, which closes on July 12, has been supported by various sponsors including Manufacturers Hanover, the New York Stock Exchange Foundation Inc, the Banco Central and the Robert Wood Johnson Jr. Charitable Trust. Transportation assistance was provided by Iberia Airlines.

Berlioz

Brighton Festival

The final two concerts in this year's tricolour-dominated Brighton Festival formed a little Berlioz festival in themselves – the *Symphonie fantastique* and its seldom-performed sequel on Saturday, *La Damnation de Faust* on Sunday. The concerts, exhilarating experiences both, combined the efforts of the City of Birmingham Symphony Orchestra and the Brighton Festival Chorus, and demonstrated that Simon Rattle is on the way to becoming one of the world's important Berlioz conductors.

The Fantastic Symphony, a symphonic argument which disgorges a journey to hell, is one of the staples of musical life; its sequel, *Lélio, or The Return to Life*, a monodrama for speaker with musical insertions, is a rarity. The first work does not "need" the second. In the spoken passages of *Lélio*, Berlioz poured out his passions – for Shakespeare, against the contemporary Philistines – and around them he assembled numbers already in existence. The *idée fixe* from the symphony is hinted at in the dying moments; but no real dramatic coherence informs its structure or joins the two works.

There are two views of *Lélio*. One is that it is a ridiculous farrago, a youthful folly of Berlioz's, a re-enact from which he soon extricated himself; the other is that it is an early ancestor of the concert-hall music-theatre which become such a preoccupation of composers in the 1960s and 70s.

I hold them both, and allow one to temper the other. The combination of symphony and sequel can, in fact, prove uniquely disarming – especially in so completely enjoyable a performance as Brighton's, in which Barry Foster, pacing around a crimson chaise-longue next to the conductor's podium, impersonated Berlioz (in English translation) with enormous charm, wit, and elegance, and Rattle and his musicians (the chorus and John Mitchinson and David Thomas as soloists) gave excellently fine-tempered and poised accounts of all the numbers. It was impossible not to be swept along by the high-toned theatricality of it all: in these circumstances the suspension of disbelief (and ridicule) is, after all, a tour de force, and it was achieved here.

Rattle and the CBSO make a marvellous Berlioz team. The keyed-up musicianship of the ensemble and the light (in the best sense) quality of the orchestra's tone-colours offer an ideal starting-point for the exploration of this composer; the conductor's native feeling for the cutting edge of the sounds and rhythms, his determination not to them smooth over, made of both the symphony and the "dramatic legend" two thrilling Berlioz journeys. One slight limitation in both performances may have been the fault of the Dome's dry acoustics: the lack of distancing and suspended animation in the symphony *Adagio*, and in all those moments in *La Damnation* where a single voice or strand of colour is left suspended over a void.

Rattle's enthusiasm for Berlioz seemed at these points a little too insistent, lacking in the feeling of detachment that acts as the opposite pole to the composer's high-Romantic ardour. (But, particularly in the second concert, he may also have been provoked by the beastly rackety coughing that barracked the musicians continually, until finally his exquisitely courteous plea for audience mutes and mufflers succeeded in damping it down.)

The chorus, even though without the bright high tenors so often required by the music, were in vital, well-prepared form; the *Damnation* soloists were Maria Ewing (a Marguerite treading a fine line between exquisitely nuanced sensibility and mannerism), David Rendall (a well-schooled Faust not in his best voice) and Willard White (strong-singing, not yet wholly inside the Berlioz style). The concerts were sponsored by American Express and Seeboard.

Max Loppert

The Tempest

BARBICAN

Such a consistently thought out and masterfully handled production, backed up by technical accomplishment and sheer stage know-how, shows up some of the RSC's recent, and indeed current, work as the callow footling romp it is. Nicholas Hytner's *Tempest* is the most proficient of the offerings so far transferred from Stratford to the mini-Metropolis in EC2. Michael Coveney's original welcome in these pages can only be endorsed; with the proviso, perhaps, that in both theatre and opera Hytner is emerging as a cerebral director rather than one who touches the heart. He thinks with clarity but *feels* less generously, or at least less obviously.

Paradoxically (or predictably) the main fault with the production lies in the over-emphatic speech. This is certainly the reverse of the frequently uncomprehending disregard of sense and sensuousness that mars most young actors' approach to Shakespeare. Everything is italicised, stressed, underlined, interpreted almost out of existence. The emotional Prospero that John Wood gives us makes a meal of the "gooorgeous" palaces and throws in the odd emphasis to boot ("OUR little life is rounded with a sleep").

Alastair Muir

John Wood

This Prospero has been seething throughout his exile; adversity has not taught him stoicism. In the account of his banishment he weeps, shouts and shakes with rage, which certainly for once keeps us and Miranda awake. His vehemantly argumentative reminder of Ariel's sufferings has the spirit screaming as hotb re-enact Prospero's release of the sprite from Sycorax's bondage. Vulnerable, he claps his hands to his head, touched or tormented hy visions and memories. He demands Ferdinand's attention with a fit of petty anger. Luckily the actor has both the intelligence and vocal technique to run the glottal gamut. Nothing is taken for granted in this production, the text has been rigorously combed out. All to the good; but a little more affectionate relaxation and casualness would not come amiss.

David Fielding's clean, delicate design, grey curtains ruched into scalloped clouds to reveal a limitless blue horizon, provides haunting moments on its raked oval stage. The masque conjured up by Prospero is truly magical: through the gauze appears a field of golden corn studded with poppies as peasants from a Millet canvas perform an elegiac country dance. Here as elsewhere (notably in the distant voices accompanying Ariel in "Full Fathom Five") Jeremy Sams' elusive music does indeed create an isle full of noises, sounds and sweet airs.

Free from the corny accretions of traditional stage business, in the case of Desmond Barrit's Trinculo speaking lines with a slow plaintive dryness which makes them sound wittier than they are, the clowns sum up the Hytner attributes. Lucid, imaginative yet carefully disciplined, the production lacks the ultimate flame, an emotional commitment from a director who nevertheless demands a constant state of excitement from his actors. The young lovers are certainly adequate, Duncan Bell's Ariel as intelligent as the rest, John Kane's rasping Caliban played straight. Technically it is the finest show at the Barbican. Once more with feeling.

Martin Hoyle

Hair

QUEEN'S THEATRE, HORNCHURCH

"This is the one where you can get on the stage and dance if you want to," said the lady behind me to her friend as we settled down at Hornchurch for a wallow in nostalgia in the Age of Aquarius. She had forgotten that someone would also sing "Masturbation can be fun, join the Holy Order Kama Sutra, Everyone."

Twenty-one years after *Hair* became a sensation in New York and London, it is salutary to recall that it was not even shocking then. It mouthed hippie slogans for bourgeois consumption in a barely coherent story of draft-dodging, transcendental meditation and communal urchin rebellion. Hashish and sodomy were hymned. Hair flowed as freely as everything else: free food, free love. "Free Nelson Mandela" shouts a Hornchurch hippie, just for the updating hell of it.

Oh dear. Was this really the show that jumped on the grave of the Lord Chamberlain with its rude words and nudity? Princess Anne joined the cast on the Shaftesbury Theatre stage, I remember, and Annabel Leventon stuck a flower up my nose. What *Hair* always had was some wonderful surging melodic rock music by Galt MacDermot, notably the title tribal number, a couple of wistful ballads and one of the best Shakespearian settings since John Dowland, "What a Piece of Work Is Man," full of shifting rhythm and emphasis.

Out-of-town Claude (John Purcell) falls in with the simpering, denim-clad and bead-strewn Greenwich Village tribe en route to joining up for service in Vietnam. He is seduced by the protest movement and the personalities of its chief apologists, the charismatic Berger (Steve Edwin, outstandingly good) and the placard-wielding activist Sheila (Siân Reeves). Draft cards are burnt at a Hare Krishna Be-In ("Anybody who says pot is bad is full of shit"), though Claude prevaricates by burning his driving licence.

After some jolly knees-ups in the causes of anti-raciam and anti-pollution, the book and lyrics of Gerome Ragni and James Rado concentrate on scatter-gun satire and an apocalyptic acid trip in which Clauda goes to get the gooks and is killed. The cast mourn him hy removing their wigs, placing flowers on the stage and letting in the sunshine in that famously insidious finale. All this is fine, but getting *in* and out of lesser items is the musical's chief structural weakness, and incessant tinkering by the authors, and the Hornchurch directors Boh Tomson and Bill Kenwright, has not improved anything.

We have several indifferent new songs, some from the 1979 Milos Forman film (which had a wittily reflective screenplay by Michael Weller), and a general muffling of the hard and greasy rock beat of the original. The mistake has been to *suppose* yon *can both revive Hair* as a period piece and pander to a new audience.

A *dismal scaffolded design* is dominated by Glen Willoughby's gigantic Statue of *Liberty head. It all reeks*, tackily, of yesteryear, when the thing to do, surely, was to do the piece exactly as it was in a fresh design.

Meanwhile, this ungainly hybrid will depart in the second week of June on a nine-month tour.

Michael Coveney

Tanita Tikaram

THEATRE ROYAL, DRURY LANE

We have been here before, the young girl singer-songwriter who expresses the fears, joys, hopes, and banalities of her life through poignant poems around which hang plaintive, gossamer, melodies. Tanita Tikaram is a fine specimen of the type only in her rapid rise, from the ranks of Basingstoke sixth formers to a multi-million selling first album in a couple of years.

Still only nineteen, she spent the weekend playing at the grandest showcases in London – the Theatre Royal, Drury Lane on Sunday, the Palladium last night. These were very clever venues for her, the plush of showbiz history contrasting with the stark simplicity of her performance. She made no attempt to storm the stage; she won instead the sympathy vote of packed collections of fans who were reverent, too reverent, in awe and admiration.

Wearing dark grey convent school uniform above black stockings, obviously intent to hide her body just as her songs disguise her soul with their elusive lyrics, she treated the audience at Drury Lane with remote detachment, not gushing, hnt not too timid either. At first you are amazed she dares front the hand – her voice sounds as if it comes from beyond the grave and lacks variation or sweetness. But her five piece band is hot and strong, made amusing by the inclusion of a saxophone to the far left and a violinist to the far right.

But you are there for the songs, for the glimpses into a young girl's fantasy. They are less café sophisticated than those of her American contemporary Suzanne Vega, and deal with more mundane subjects, the hit "Good Tradition" being about the pains and pleasures of family life, "Poor cow" about the Saturday night cattle market in the local disco. They are irritatingly addictive, never quite turning out as facile as they initally suggest, the obscurity of some of the words forcing you deep into their mystery.

It is good that this style of music, created twenty years ago by Joni Mitchell and her like, should he enjoying a revival. There is an inevitable similarity about the genre and searching for the nearest parallel to Tanita it is hard not to hit on Melanie, another Sixties flower child enjoying a comeback. There is the same little girl ingenue touch, covered with a necessary toughness.

It is easy to switch off at a Tanita Tikaram concert hut soon you find yourself plugging in again. She seems capable of adding an unexpected twist, that outside view, perhaps a legacy of her outside origins – she came to southern England from a childhood in Germaoy and with Malaysian and Fijian parents. She is a promising young filly, who has won all her maiden races: whether she can stay the course over longer distances is uncertain. But the ease with which she has adapted fame to suit her personality suggests that she can.

Antony Thorncroft

Louis Benjamin retires from Stoll Moss

Mr Robert Holmes A Court, Chairman of Stoll Moss Theatres, has announced that Mr Louis Benjamin will retire as President of the company on September 30. Mr Roger Filer is appointed managing director with immediate effect.

Mr Benjamin, who joined Stoll Moss as an office boy 52 years ago, has held every important administrative post in the company. Stoll Moss currently controls a dozen of the West End's leading commercial theatres, including four on Shaftesbury Avenue, and accounts for 32 per cent of all theatre seats in London's commercial sector.

ARTS GUIDE

May 26-June 1

MUSIC

London

The London Philharmonic, with the Brighton Festival Chorus, conducted by Lorin Maazel, with Jessye Norman (soprano), Gary Lakes, (tenor), Samuel Ramey (bass). Berlioz. Royal Festival Hall. (Tues) (928 8800).
English Chamber Orchestra, conducted by George Malcolm, with Hiromi Okada (piano), Maciej Rakowski (violin), William Bennett (flute). Bach, (Brandenburg Concerto), Mozart. (Piano Concerto No 23). Barbican Hall (638 8891) (Wed)
Orchestra of the Age of Enlightenment, conducted by Sigiswald Kuijken, with Timothy Brown (horn), and Lisa Beznosiuk (flute). Mozart. Royal Festival Hall (928 8800) (Wed).

Paris

Ensemble Orchestral de Paris, conducted by Mario Venzago, Philip Bride, (violin). Schubert, Spohr, Landowski, Mozart. Salle Gaveau (Tue) (45633030).
Paris Opera Orchestra conducted by Lothar Zagrosek. Boeller, Zimmermann. Paris Opéra (Tue) (47425371).
Orchestre de Paris conducted by Daniel Barenboim, with Martha Argerich (piano). Mozart, Gaussin, Rachmaninov. Salle Pleyel (Wed, Thur) (45630796).
Barcelona Trio. Brahms, Guinjoan, Ravel. Salle Gaveau. (Thur) (45632030).

Brussels

Belgian National Orchestra conducted by Georges Octors in the final round of the Queen Elizabeth Violin concert. *Palais des Beaux-Arts* (Tue-Thur).
Les Pastoreaux Chorus accompanied by Waterloo Chamber Orchestra conducted by Ulysse Waterlot with Marie-Noelle de Callatay (soprano). Mozart. Eglise St Joseph, Waterloo.

Amsterdam

Barbara Bonney, (soprano), accompanied by Geoffrey Parsons. *Wolf, Richard Strauss* (Tue).
Netherlands Philharmonic Chamber Orchestra with Marieke Blankestijn (violin), Antoni Ros-Marbà conducting. Haydn, Mozart, Hindemith (Thur). Beurs (270466).

Rotterdam

Netherlands Philharmonic Chamber Orchestra, with Marieke Blankestijn (violin), Antoni Ros-Marbà conducting. Haydn, Mozart, Ravel (Tue) Doelen (413 2490).

Vienna

Wiener Fest Wochen, annual festival of music dominates the scene in Vienna after its opening on May 11 and continues through to June 18.
Wiener Saxophonquartett. Bischof, Clementic, Ebenhoh, Kratochwil. Palais Ferstel (Tue).
Cleveland Symphony Orchestra, conducted by Christoph von Dohnanyi. Bartok, Mahler. Konzerthaus (Wed).
Cleveland Symphony Orchestra. Bach, Webern, Schoenberg, Brahms. Konzerthaus (Thurs).

Rome

Euromusic Concerts, Constance Channon Douglass (piano) playing Chopin (Tues) Teatro Ghione, Via delle Fornaci 37.
Nikolais Dance Theatre of New York in five pieces choreographed and designed by Alwin Nikolais. Teatro Olimpico (393304).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Offenbach, Britten. Kennedy Center Concert Hall (Thur) (254 3776).

Chicago

St Paul Chamber Orchestra conducted by Christopher Hogwood featuring Handel, Mozart, Pergolesi. Orchestra Hall (Wed) (435 6666).

Tokyo

Moscow Philharmonic Orchestra, conducted by Dmitry Kitaenko, with Vladimir Krainev (piano). Tchaikovsky, Glinka. Suntory Hall (Tues) (505 1010).
Finnish Radio Symphony Orchestra, conducted by Jukka-Pekka Saraste. Sibelius, Mahler. Suntory Hall (Wed) (235 1861).
Tokyo Symphony Orchestra with Kiri Te Kanawa, conducted by John Popkins. Opera arias. NHK Hall (Wed) (403 9999).
Ensemble Wien. Mozart, Dvorak, Schubert. Tokyo Bunka Kaikan (Thurs) (363 1851).

OPERA AND BALLET

London

Royal Opera, Covent Garden. The latest showing of the splendidly exotic Andrei Serban production of *Turandot* is well conducted by Stephen Barlow, but the cast is uneven.

Paris

Opéra. York Hoeller's world premiere of *Le Maitre et Marguerite* conducted by Lothar Zagrosek/John Burdekin in Hans Neuenfels's production is inspired by Mikhail Bulgakov's novel describing the Devil on the loose in Stalin's Moscow (47425371).

Brussels

Théâtre Royal de la Monnaie. *L'Incoronazione di Poppea* by Monteverdi with Catherine Malfitano as Poppea, Marek Torzewski as Nerone. The orchestra of the Monnaie conducted by Sylvain Cambreling, orchestrated by Philippe Boesman, staged by Luc Bondy (Wed).

Vienna

Staatsoper, in repertoire: *Il Viaggio a Reims*, conducted by Claudio Abbado, with a cast including Cecilia Gasdia, Noriko Sasaki and William Matteuzzi. *Maria Stuarda*, conducted by Ion Marin, with a cast including Agnes Baltsa, Mara Zampieri, Georg Tichy, Alexander Maly. *Chowanschtschina*, conducted by Claudio Abbado and sung by includes Ludmila Schemtschuk, Brigitte Poschner-Klebel, Joanna Borowska (51444, ext2660).

Rome

Teatro Dell'Opera. Lively production by Mauro Bolognini of Francesco Cilea's Adriana Lecouvreur, conducted by Daniel Oren. Raina Kabaivanska is excellent as the tragic heroine, with a fine supporting cast which *includes* Alberto Cupido, Ivo Vinco (80.91.26).

Milan

Teatro Alla Scala. American soprano, Kallen Esperian sings the title role in Verdi's *Luisa Miller*, taking over from Katia Ricciarelli who was roundly booed by the gallery at the opening perfomarmance on May 2. Also in the cast are Giuseppe Giacomini, Paata Burchuladze, Susanna Anselmi and Alberto Cupido, conducted by Zoltan Pesko. Also Francesco Cilea's *Adriana Lecouvreur*, with Mirella Freni, Peter Dvorsky and Alessandro Cassis, conducted by Gianandrea Gavazzeni (80.91.26).

Berlin

Opera: Theater des Westens. *Rigoletto* in Hans Neuenfels' production features Angela Denning, Ingvar Wixell in the title role and Victor von Halem. Also a ballet evening *Les Intermittences du Coeur*, with choreography by Roland Petit.

Bonn

Opera. *Ariadne auf Naxos* stars Edita Gruberova, Helena Doese, Peter Lindroos, Richard Cowan, William Murray and Susanne Mentzer. *Die Entführung aus dem Serail* returns with a new cast led by Sylvia Greenberg, Isolde Siebert, Hans Peter Blochwitz, Wilfried Gahmlich and Jaako Ryhaenen. Also the new Youris Vamos/Michel Scott ballet production *Carmina Burana*.

Frankfurt

Opera. *Iphigenie in Aulis* by Gluck will have its premiere this week. The new Uwe Schwarz production features Pia-Marie Nilsson, Frederick Burchinal, Renate Behle. The successful Graham Vick production of *Cosi fan tutte* is revived. *Rusalka* is respectable with Eva Randova, Clarry Bartha, June Card, Manfred Schenk and Allan Glassman. *Rigoletto* has Jonathan Summers in the title role for the first time.

Munich

Opera. Three operas from the Ring cycle, *Das Rheingold/Die Walküre/ Siegfried* all conducted by Wolfgang Sawallisch. The main parts are excellently sung by Mariana Lipovsek, Kurt Moll, Sabine hass, Hildegard Behrens, Rene Kollo and Robert Schunk. *Rigoletto* has a first rate cast led by Francisco Araiza, Mariella Devia and Juan Pons. Also in repertory: *Il Barbiere di Siviglia*.

New York

New York City Ballet. The 90th New York season continues with mixed programmes featuring *Swan Lake, Midsummer Night's Dream* and *Slaughter on Tenth Avenue*. Ends June 25. Lincoln Center, New York State Theatre (877 4700).

FINANCIAL TIMES
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Judge and jury

LAST WEEK'S US decision to name only Japan, Brazil and India for unfair trading practices marked a milder interpretation of last year's Trade Act than had at one stage been expected. But relief at this outcome must be tempered with foreboding in view of the parallel announcement that the Bush Administration is to seek wide-ranging talks on economic adjustment with Japan.

The citation of Japan for priority trade action under the so-called Super 301 clause of the Trade Act for its specific policies with regard to wood products, satellites and supercomputers pales into insignificance compared with these broader negotiations. Their vaguely worded remit far transcends trade policy. It highlights, instead, the entire bilateral relationship between the world's two economic superpowers.

The presumption in Washington appears to be that the Japanese economy (and so Japanese society) can be changed by negotiation into something similar to that of the US. The attempt, itself illegitimate, is, in any case, sure to fail. Though seen as an alternative to managed trade, these negotiations would appear to have no other likely outcome. If so, the world's most important bilateral economic relationship would have been moved out of the embrace of the market and into that of politics.

Internal struggle

Taken together with the Super-301 list this leaves little room for complacency about the direction of US policy. The decisions were reached only after a fierce internal struggle inside the Bush Administration. A number of ancillary warnings has been issued, including one to the European Community on intellectual property rights. And the decision to single out Brazil and India must remain a point of concern.

Brazil and India do practise protectionism, but their policies are no worse than those of most developing countries. Nor have those policies been proved impermissible under their international obligations. It looks as though the US is punishing the two countries for the obstructive role they have been thought to play in the Uruguay Round talks on trade liberalisation with respect to two objectives that the US holds dear: liberalising trade in services and agreement on new rules on protecting intellectual property rights.

Another explanation for their place on the list is that other countries which were equally vulnerable to denunciation took effective evasive action. South Korea agreed a broad-ranging package of trade liberalisation measures in the run-up to last weekend's decisions. Taiwan, too, has again allowed its currency to appreciate sharply this year. Indeed Mrs Carla Hills, the US Trade Representative, has already expressed her satisfaction with the way in which the threat of being named prompted reform efforts in a number of countries.

Bad principle

But short term expediency is a bad principle. The fundamental problem for the multilateral trading system is that the US, its founder and ultimate guarantor, has altered the balance of its policy. It will abide by its agreements when convenient but it will also break them when convenient and woe betide any weaker country that crosses it. This aggressive approach strikes at the heart of the multilateral system not because of the unilateralism alone, but because agreements reached in the course of multilateral negotiations might be scrapped whenever the US unilaterally decides they should be. What then is the value of such agreements?

The fundamental problem for the international economy is that the US now seems to be embarked on a course likely to end up with managed trade with Japan. The EC may follow suit and, in time, they and others are likely to find this the preferred approach when dealing with such uncomfortably competitive trading partners. That would hurt them, their trading partners and the international economy as a whole. It would, indeed, throw away one of the fundamental sources of success of the market-oriented economies in the post-war world.

Ireland's good two years

ALMOST entirely by coincidence, Mr Charles Haughey, the Irish Prime Minister, announced a premature general election in his country in the same week that his Government reached agreement with Britain on the review of the working of the Anglo-Irish Agreement. Not at all by coincidence, the Irish election will take place on June 15 – the same day as the elections to the European Parliament. Those events together form a useful peg for taking stock of developments in the republic and in Anglo-Irish relations.

Mr Haughey's latest premiership has been in many ways his most successful. He has led a minority Government which has presided over considerable improvements in the Irish economy. There has been a resumption of economic growth and the country has been enjoying its first trade surpluses since 1967. Inflation is down below 3 per cent and the Irish currency has held its own within the exchange rate mechanism of the European Monetary System.

High unemployment

There is a very strong view, however, that Mr Haughey's present Administration has only achieved as much as it has precisely because it lacked an overall majority. The main opposition parties have been notably supportive of the basic economic policies, including some cuts in public expenditure.

It is also true that while the economy may have turned round in the last year or two, some serious defects remain. Unemployment is still at around 18 per cent; net emigration, which includes the loss of skilled young people, continues to run at over 30,000 a year; and, by the standards of the European Community, perhaps a quarter of the population is living in poverty. Ireland is the third poorest member after Greece and Portugal. Thus, although the recovery is genuine, there is still a long way to go.

The most heartening conclusion after the last two years is that the country as a whole has become more realistic both about the constraints on its development and about its opportunities. It is a small country trying, not without success, to make its way in a wider community. Mr Haughey's minority Government has been pragmatic.

Security lapses

Much the same may be said about the working of the Anglo-Irish Agreement. It has been neither the cure-all nor the disaster that some people predicted when it was signed in November 1985. It has survived a change of government in Dublin. The agreement was signed by Mrs Margaret Thatcher and Dr Garret FitzGerald, not by Mr Haughey. But Mr Haughey, as Taoiseach, came to live with it.

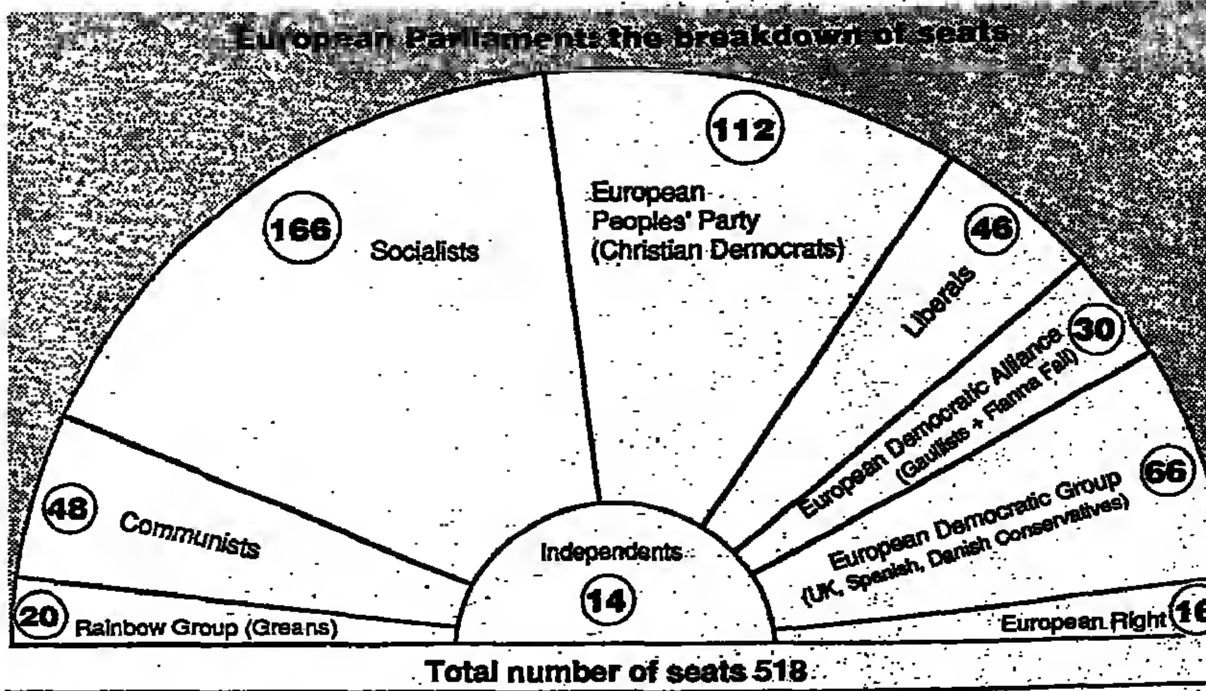
There have been some terrible lapses in security as the IRA gained access to new weapons, but, by and large, cross-border co-operation has become the rule rather than the exception and is still increasing. In the past the heads of the respective police forces in north and south were scarcely on speaking terms; they now meet regularly. And, in the north, there may even have been some political rewards. The local elections earlier this month showed some decline in support for the extremist parties: Sinn Fein and Mr Ian Paisley's Democratic Unionists. Mr Peter Robinson, once one of Mr Paisley's hard-line lieutenants, has softened his approach.

Thus the agreement goes on. It will be extended to co-operation in other fields: health, energy, transport and agriculture, for example. That is entirely appropriate within the context of the EC. Britain and Ireland are learning that they are two quite different countries who have to live together.

It is understandable that Mr Haughey now wants to break out of the constraints imposed by minority government. He may claim to have lived down some of his earlier reputation for recklessness, both on the economic and the political fronts. There is also a perfectly practical case for going to the polls on the same day as the elections to the European Parliament. Yet the constraints imposed by the lack of a majority in the Dail were in many ways helpful and the electorate may remember that the opposition parties, too, played a constructive role in what has been a good two years for Ireland.

David Buchan begins a series on next month's European Parliament elections

A mandate which goes beyond 1992



Total number of seats 518

Seats per country

UK	81	Belgium	24
W.Germany	81	Portugal	24
France	81	Greece	24
Italy	81	Denmark	16
Spain	60	Ireland	15
Netherlands	25	Luxembourg	6

There is at last a smell of real power emanating from the European Parliament, that unique experiment in transnational democracy designed to give the European Community's 242m voters a direct say in Europe's future.

The voters' five-yearly chance to exercise this right comes around again in elections on June 15 in the UK, Ireland, the Netherlands, Denmark and Spain, and on June 18 in the other seven EC states.

Going by the past pattern of the 1979 and 1984 direct elections (before 1979 members of the European Parliament were nominated by their national parliaments), only an average of about 60 per cent of EC voters will actually bother to cast a ballot.

Turn-out could be higher this time. Ireland and Luxembourg are holding general elections on the day of their Euro-poll. National election fever is running high in the Netherlands, Italy, Spain, and Germany, where the Euro-election results will be read for what they portend in forthcoming national polls. In the UK, where less than one in three of those eligible voted in 1979 and 1984, interest in, and conflict over, Community issues, is running at an all-time high.

There is, of course, still a powerful turn-off factor. Some of the 518 members of the European Parliament (MEPs) are seen to be more interested in perks than power.

But those elected this time round and whose mandate will run to 1994, will have a good deal to say on the future of the Community's single market programme and the new drive to balance this with a comprehensive social programme for Europe.

Under the 1987 Single European Act the parliament acquired more powers than it had gained in the previous quarter of a century, including certain rights to amend or reject EC legislation and to rule on many of the Community's foreign treaties. And it may not stop there.

Even if the parliament does not initiate anything itself, it might try to hold the initiatives of others – such as those governments wanting a fresh treaty on economic and monetary union or the admission of new EC member countries – hostage to its own demands for more power.

Closely linked, too, to the parliament's future remit are the ambitions of the European Commission. Its president, Mr Jacques Delors, has predicted that in 10 years, 80 per cent of decisions on economic and social matters will be taken at Community level.

That forecast, not so implausible in the context of the Single European Act, has set on edge the teeth of many national leaders and parliaments, not only those of Mrs Margaret Thatcher and her Westminster colleagues. British reservations are aggravated by the fact that Westminster, with its ill-developed committee system, is one of the 12 national legislatures least suited to effective scrutiny of what goes on in Brussels.

However, the central point is that even the most exacting national scrutiny system, like the Folketing's EC committee that keeps Danish ministers on the tightest of reins, is of no avail when ministers can be outvoted on many matters within the Council of Ministers. What has come to be called the "democratic deficit" can probably only be made good in Strasbourg.

There are other reasons to cast a vote next month. One is the new relevance of the way that the 518 MEPs divide themselves along rough ideological lines into eight groups, ranging from the Communists and Greens on the left, through the big battalions of Socialists and Christian Democrats in the centre, to the small, far right led by Mr Jean-Marie Le Pen, leader of France's National Front.

The ideological pattern is complex, especially to those used to the clean cleavage of a two-party system. The main European political "families", of Communists, Socialists, Christian Democrats and Liberals (who are to the right of their UK counterparts) are well represented. But the right is not homogeneous. Nationalist sentiment, among other things, divides France's Gaullists and Fianna Fail of Ireland from the UK Tories.

As long as issues like agricultural policy dominated the debate, with divisions more along national lines (and with, for instance, British Conservative and Labour MEPs all for reform and all French against it), the parliament tended just to duplicate the national clashes taking place in the Council of Ministers. It is also true that much of the detail of EC issues remains highly technical and thus non-ideological, and that when an issue like French blocking of British lamb flares up there is a quick national regrouping.

However, the new agenda is more likely to divide members on "left-right" lines. It encompasses the probusiness single market programme, the proposed EC social charter for workers rights, and even environment and consumer protection. These issues are already leading to realignments among the parliament's eight groups. Spain's right-wing Partido Popular, for instance, having decided to realign with Christian Democrats at home, is deserting the British Tories whom it finds too opposed to Community social legislation.

If these issues are to be debated in these terms, Strasbourg is clearly the place to do it. However, it does not, so far, suffer from the surfeit of ideology that afflicts Westminster. A continental preference for compromise is reinforced by the nature and size of the Socialist and Christian Democrat groups, and a voting rule that makes them want to join forces where possible. This requires 260 votes or an absolute majority of all MEPs for amendments to, or rejection of, most EC directives.

Voters should also be aware that they are no longer sending political eunuchs to Strasbourg. The European

Few legislatures can match the European Parliament's record in terms of influence over its executive

Parliament does not have direct control over an executive. But it has the power, which it has never used, to censure and dismiss all 17 (and only all 17) Commissioners. The Council of Ministers is not generally accountable to it, though it has become recent practice for the EP president, in the avuncular form of Lord Plumb, to address the twice-yearly EC heads of government summits. If ex-President Valéry Giscard d'Estaing of France were to succeed in his bid to follow Lord Plumb, it is hard to imagine him being shut out of his old "club".

The European Parliament still only has partial control of Community purse-strings, the traditional means of parliamentary aggrandisement. But even this is changing through the five-year deal reached last year under which it got some say over agricultural spending, in return for conforming to Council decisions in other areas of expenditure dearer to the European Parliament's heart.

And there are two new levers the parliament can bring to bear. One is called the co-operation procedure. This gives the parliament a powerful say on that internal market legislation which the Council can decide by majority voting. On these issues, the former can on second reading amend or reject a Council position, provided it can muster 260 votes to do so.

What happens next depends on the Commission, which is the transmission belt between the Council and the European Parliament. If the Commission accepts the amendment, then it takes unanimity among all 12 governments for the Council's initial view to prevail. But because of majority voting such unanimity is hard to muster.

It is, for instance, precisely because of such an parliament-Commission alliance, that the Council now looks likely to accept tougher car emission standards than it agreed to last November. If, on the other hand, there is a parliamentary amendment without Commission support (as on a broadcasting directive last week) or outright rejection (as on a benzene protection measure last year), then the odds are heavily stacked against MEPs. For their view can only prevail in the unlikely event that all 12 governments agree with them.

But, overall, the record is impressive since the Single European Act took effect in July 1987. Half of the parliamentary amendments have been accepted by the Commission, and half of those in turn accepted by the Council. Not many national legislatures can match this in terms of influence over their executive.

The parliament's other lever is the power to veto, or delay, certain EC treaties with third countries, or applications by third countries for Community membership. The requirement for parliamentary approval by an absolute majority covers only "association" treaties of the kind that the Community has reached mainly with Mediterranean countries. Since the EC does not intend to negotiate many more of these, Governments evidently thought they were offering the European Parliament just a crumb.

What they seemed to forget is that such association treaties need to be regularly renewed. This "assent procedure" has been used 31 times since the Single European Act's coming into force in mid-1987. Last year the European Parliament refused for six months to renew the association accord with Israel until the latter had made good its promises to let Palestinian farm produce from the occupied territories freely enter the EC.

This power over Community enlargement may in the end be of more consequence. One of the biggest obstacles that Turkey must reckon with in its current application for membership is its need to get 260 favourable votes from a body that has frequently condemned it for human rights violations by larger majorities.

There is a certain irresponsibility built into any chamber entirely composed of backbenchers. Resolutions about East Timor independence or Amazon rain forest protection, issues over which the EP has no direct influence, can seem irrelevant.

However, the European Parliament's new powers have conferred a new sense of responsibility, and have certainly brought the individual MEP more job satisfaction. Mr John Tomlinson, a UK Labour MEP, even goes so far as to claim he can do more for his West Midlands constituents than when he was a minister in Whitehall.

Parliament's new assertiveness has made it an obvious target for lobbyists. On any day during Strasbourg plenary sessions, there are reckoned to be an average of 150 lobbyists in attendance, excluding foreign diplomats.

Most lobbying of the European Parliament, however, occurs at its committee sessions in Brussels where much of the work is carried out. The parliament's work is further dispersed by the obligation on parliamentary staff to reside in Luxembourg. Virtually all MEPs now want a single workplace, preferably Brussels, where they can be close to both the Council and Commission. Though there is very little prospect of either France or Luxembourg ceding their role as host to the parliament, Mr Enrico Vinci, the parliament's secretary general, says: "I will insist on moving some plenary activities to Brussels".

Others have more grandiose aims for the next five years. Mr Bill Newton-Dunn, an almost endangered species of ardent federalist among UK Tory MEPs, wants a new treaty which – among other things – would give the European Parliament a formal right of co-decision on all EC policies.

Federalism is far from endangered elsewhere. Indeed it is the norm in Italy. On June 18, Italians will be asked whether the new European Parliament should act as a constituent assembly to draft a treaty of "genuine union" with a European government accountable to the parliament.

Before dismissing this as pure fancy, it is worth remembering that the European Parliament, and its 1984 draft of a European union treaty, was the catalyst for the Single European Act: 1992 and all that. Might history repeat itself?

OBSERVER

Irishman for Washington

■ A recent Brussels guessing game will shortly be over with the announcement that Eamonn Gallagher, currently Director General in charge of the European Community's fisheries policy, is to succeed Sir Roy Denman as the EC's resident ambassador in Washington.

Although no formal announcement has been made, the word is that the nomination of the 62-year-old Irishman has already been approved by key Commissioners and that confirmation is only a matter of time.

Gallagher will be going to Washington during a tricky period in transatlantic relations. He will be under pressure to convince a still sceptical American audience that the Community's single market programme is not intended to create a Fortress Europe: to explore Commission president Jacques Delors' ideas for a closer political relationship between Washington and Brussels; and to defuse the tensions that could erupt in the next couple of years over trade. His natural affinity with the Irish-American lobby in Congress is expected to be a big help.

Gallagher's appointment (which will run until his retirement in just over two years' time) will be the culmination of a distinguished career in the Commission, where he made his name as an architect of the Common Fisheries Policy in the early 1980s. Widely admired (and feared) as the master of compromise, his "double act" with his French colleague, Raymond Simonnet, has been largely responsible for keeping the policy afloat.

On the other hand, Gallagher has not got on too well with his new boss – the youthful Spanish Fisheries Commissioner, Manuel Marin. This has given him some spare time to improve his golf, which will also be useful in Washington.

Hitching

■ During last week's unofficial strike on the London Underground, one bank executive tried unsuccessfully to get on to a crowded single-manned bus, arguing with the driver that at times like these, London buses owed it to the population to be more flexible. The bus driver stuck to his rules and regulations on passenger limits, and the banker was ejected.

Refusing to be beaten, he went into a stationery shop, bought himself a card and luminous pen and wrote CITY in huge letters. He then stood on the pavement, held up the card and, within seconds, was picked up by a car with air conditioning. It was another banker taking a more predictable way to work.

More of us may be resorting to hitch-hiking this week. Indeed why don't drivers with empty places put a card in their window offering lifts?

Country folk

■ Grateful to this week's edition of The Economist for pointing out that the very first edition of The Archers, an everyday story of country folk now celebrating its 10,000th episode on BBC Radio 4, began with the following exchange between Dan Archer and his farmhand over the grunts of a cow in labour.

Dan: "Well, Simon. What d'you think?" Simon: "Ah well. 'Er might, and 'er mightn't."

That was on Whit Monday, 1950. The Archers is not like that any more, and has not been for a long time. But, for a certain generation, there is that touch of "For Ever England" about it. What I cannot understand is why the BBC World Service did not quickly take it up, and broadcast it daily and extensively around the globe. There would always have been a British citizen somewhere who would have felt a kind of nostalgic happiness for Ambridge.

"It's my demob suit."

75 not out

■ A. H. Hermann, for long our Legal Correspondent, is leaving us this week. At the age of 75, he will become Senior Research Fellow on International Trade Law at Queen Mary College, London, a post endowed by the City law firm, D. J. Freeman & Co.

Hermann was born in Bohemia in 1914. When I first met him in 1968 he said he had spent almost half his time in prison. His life was disrupted first by the Nazis, then by the Communists in Prague who, in 1950, sentenced him to 12 years for high treason. He had been Economic Secretary in the Ministry of Trade.

Among his many stories is that of when he first began to write for Western papers from Czechoslovakia in the mid-1960s: then – and even now – a rare event. Hermann seldom saw the papers he wrote for and was besieged by telegrams saying: "Please use the Reuter style."

The Reuter style consists of putting the most important point first, and the rest in descending order of importance. It was impossible for him to pass the message that if he did that, everything would be censored.

Early in 1968, and before most other people, he realised the importance of Alexander Dubcek and started to write about him.

Hermann left Czechoslovakia when the Prague Spring was put down by the Soviet Union, and has deserved to live happily ever after. Anyone who sees him should encourage him to get on with his memoirs, which so far extend only to 1948.

Wrong match

■ Thailand has been generous to the last days of the European soccer season, covering four matches live on television, three from Britain and one from Italy. Even Bangkok's legendary bars have found their customers distracted by football. Some began to offer free fish and chips at half-time for those who came to watch the entire match at their establishment.

In such a full-bloodedly capitalist setting, the stream of advertisements interrupting the game, regardless of the state of play, was only to be expected. But there was one slight cavil. Most of the first half of the FA Cup Final between Everton and Liverpool at Wembley was accompanied by crowd noises and commentary from the Scottish Cup Final at Hampden Park.

James Buxton explains why Body Shop chose Easterhouse in central Scotland rather than the Third World for a soap factory

Tackling the 'sump'

"WE WILL have failed by 50 per cent if we don't provide a role model for other companies," says Mrs Anita Roddick, managing director of Body Shop, surveying her latest creation.

This is not e new soap made with herbs flown in from the Amazon rain forests – though something like that might come later – but a large factory located in Easterhouse.

Easterhouse is a vast area of grey council flats, forbidding shopping parades and litter-strewn open spaces on the eastern fringe of Glasgow. Male unemployment among its 50,000 people is put at 37 per cent. It has been ungenerously described as a "sump" – the place where the human residue from other parts of Glasgow accumulates.

Mrs Roddick came to look at Easterhouse last year after a community leader from the area pointed out to her that while her highly successful natural beauty products company was making a point of helping Third World countries, it was ignoring "Britain's own Third World," the inner cities of England and tha peripheral housing estates of Scotland.

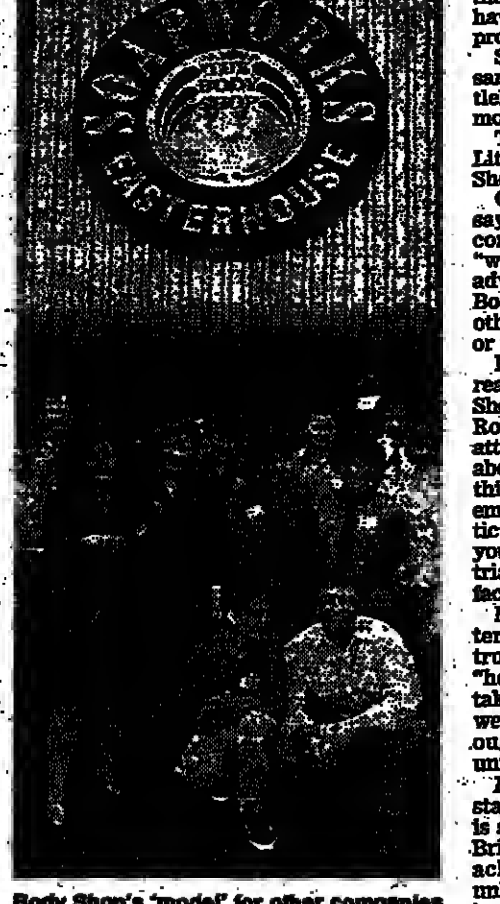
Her visit to Easterhouse "was one of the most aesthetically depressing experiences of my life," she recalls. Afterwards, she persuaded her husband Gordon Roddick, Body Shop's chairman, to see for himself. After considering setting up a plant making recycled paper, ha decided to locate the company's first soap factory on the Queenslie industrial estate in Easterhouse, near the site of a demolished Olivetti typewriter plant that once employed 4,000 people.

The Soap Works, as it is called, has got underway in the last few months. It tries to employ people who have either never worked before or who are long-term unemployed and give them the heightened morale that comes from being part of a friendly and successful company.

At present there are 24 full-time and five part-time employees making vegetable-based perfumed soaps. The aim is to raise the workforce to 100 by the end of next year as the soap plant expands and begins making talc powder. As well as providing employment, the Soap Works intends to put 25 per cent of its after-tax profits into a foundation devoted to projects in Easterhouse.

Body Shop has never been a conventional company. For example, all its products are biodegradable and its total of nearly 400 shops worldwide offer a refill service for its bottles. It uses recycled paper where it can, and naturally based products wherever possible. The franchisees who run most of its shops may be asked to contribute to special funds – the UK franchisees have just raised £23,000 for a playground in Easterhouse.

The formula is highly successful. The quoted company is one of the best performing niche retailers in Britain, with profits up by 56 per cent last year to £9.3m on sales of £46.2m. It is currently going through another surge of expansion.



Body Shop's 'model' for other companies presented by Mrs Anita Roddick (left)

"We're chiming in with the environmental upsurge," says Mrs Roddick, "although we were environmentally conscious long before it became fashionable."

As part of its mission to help developing countries where many of its raw materials and product ideas come from, Body Shop has set up local operations in Nepal, south India, Bangladesh and in a Mexican refugee camp in Texas. But much of its production comes from factories near its headquarters at Wick near Littlehampton in Sussex, where it employ 700 people.

"It certainly would have been more conventional to set up the Soap Works near Littlehampton," says Mrs Roddick. "But it's more fun, more motivating and better for morale to do it here. Its not economic in terms of transport but it's easier to inculcate our ideas here." Body Shop is investing about £1m in Easterhouse.

"We've found no problem with the people here – that was a myth," she says. "Although some of them have never worked before, there's a work ethic here that you don't get in the south-east. People have a sense of pride in what they are producing."

Soap Works employees are paid the same rate as Body Shop's workers at Littlehampton, giving them 30-40 per cent more than the local going rate.

They also receive two weeks training in Littlehampton and London in the Body Shop culture.

One aim of setting up the factory, she says, is to provide a role model for other companies to operate in Easterhouse "where angels fear to tread" – and take advantage of abundant labour supplies. Body Shop could start similar plants in other deprived areas of Britain, she muses, or move more production to Glasgow.

People in Easterhouse have mostly reacted warmly to the arrival of the Body Shop circus. But some evidently think Mrs Roddick takes a somewhat patronising attitude to the place. "To hear her speak about angels fearing to tread yon might think Body Shop was the only industrial employer in Easterhouse," says one sceptic who did not wish to be named. "But as you can see, her plant is on a small industrial estate surrounded by several busy factories."

Mr Bill Craw, who runs the Greater Easterhouse Partnership, a local enterprise trust, points out that Body Shop's vaunted "holistic" approach to its employees – taking a close interest in their health and welfare as well as their work – is thoroughly praiseworthy. "But it is not unique," he says.

He is disappointed that Body Shop has stayed aloof from the Partnership, which is sponsored by leading companies such as British Telecom and United Biscuits. He acknowledges that these companies, unlike Body Shop, have not set up plants in the area, but they have established a valuable training centre and workspaces for small businesses. However, he admits that Body Shop will "have a demonstration effect which could attract other companies to the area."

Mrs Roddick has not so far said how the money from the Soap Works foundation will be spent, though with the factory still being expanded profits are not expected for two years. She talks of creating "the best library for kids you've ever seen" in Easterhouse.

Mr Craw says: "We've already got an excellent library. I'd rather she contributed to helping small businesses get underway here which must be the priority."

Do Body Shop's shareholders object to the way the company is using its resources? "The big shareholders are people like me and my husband and my mum," she says. "Anyway our shareholders know about our ideas – we're the only company in Britain that educates its shareholders. In 10 years time this sort of operation will be the norm."

FOREIGN AFFAIRS

Satisfying the urge for change

Edward Mortimer compares the approaches taken by the Chinese and Soviet party leaderships

I wondered, as I boarded the plane for Moscow last week, whether I was going to the right place. Wouldn't Peking be the better dateline for the really switched-on foreign affairs columnist? Perhaps, but this has been a week when one could watch history being made in either of the rival capitals of what used to be called "the socialist camp", and at least in Moscow one has the advantage of being able to talk to people, including the FT's own correspondent, Quentin Peel, who were in Peking with Mr Mikhail Gorbachev the week before.

One observation they make is that in China the economic reforms have clearly had an effect, in the elementary sense that Peking is full of shops and restaurants which actually have goods for sale, and that Chinese building sites are full of people visibly working: conditions which are certainly not fulfilled in Moscow.

But what does that observation tell us? That private enterprise is deeply rooted in Chinese genes, or at least in Chinese culture? That Russians are congenitally unenterprising, or conditioned by centuries of serfdom? That the experience of all-out collectivisation in China, which really only lasted about 20 years, has not done such e thorough job of destroying the free enterprise instinct as 60 years of the same in the Soviet Union? Or simply that China is, in terms of economic reform, about 10 years ahead?

The answer may well be "all of the abova", but the last thought is politically the most interesting, as well as the least discouraging for Russia's long-term prospects. If events in Peking represent the Soviet future, or one possible Soviet future, what conclusions are likely to be drawn in the Soviet present?

Before proceeding any further with this line of thought, I should make clear that this is not a subject of public discussion in Moscow at present, or even (as far as I can tell) of private discussion, except to some extent among the small circle that actually went to China the week before last.

Those who did were certainly impressed by the sheer size and strength of the political movement that they witnessed – and one can only presume that that includes Mr Gorbachev himself. But the Soviet media have made little or no attempt to pass on that experience to a wider public.

The demonstrations in Peking have been reported, at any rate since Mr Gorbachev came home, but with nothing like the prominence accorded them in the West: few pictures, and no television footage – only voice-over reports with an old still of central Peking in normal traffic conditions.

This is quite revealing about the nature of glasnost, et least in its present stage. Glasnost means "giving voice" to hitherto silenced groups in Soviet society, enabling them to join in a debate which is often very sharp but is expected to produce specific solutions to specific problems.

But the media still are, economically and to a large extent ideologically, a branch of the state. The Western idea that they have a direct responsibility to their public, independent of the state, and consequently a duty to describe what is happening no matter what political conclusions may be drawn, is not yet widely accepted or even perhaps understood among Soviet journalists.

In domestic affairs this means that the Government can be criticised, and events emharrassing to it can be reported, bnt only when tha report implicitly or explicitly points to a preferable alternative. Where there is no obvious solntion, as in the Armenian-Azeri conflict for example, discretion tends to prevail.

In foreign affairs one can question aspects of government policy but it is evidently not considered responsible to highlight a problem for which the Government has no ready answer or interpretation. At present the Chinese demonstrations clearly fall into that category.

That does not mean, however, that a considerable Soviet public is not quite capable of noticing what has been happening in China and realising its importance. If the Chinese events are not much discussed in Moscow as yet, the main reason is that the political process at home is too absorbing.

Moscow may not yet have seen e million people in the streets, hut a comparable shock was delivared to the Soviet system by the elections to the Congress of People's Deputies, spread out over the last two months. At least in

The clear implication was that liberalisation depends on Mr Gorbachev's survival in power.

party apparatus which had hitherto governed in their name, quite as forcefully as the people of Peking and other Chinese cities did by camping in the streets.

The great difference is, of course, that Soviet citizens were responding to an opportunity deliberately accorded to them by tha party leadership. Mr Gorbachev himself has not so far incurred the opprohrium attaching to Deng. People still give him credit for initiating perestroika and look to him for support and protection against the reactionary forces lurking within the party, inclnding its highest reaches.

The point was made with brilliant delicacy in the congress yesterday by the historian, Roy Medvedev. Intervening in the debate on Mr Gorbachev's choice for the major Russian cities and in the Baltic republics the people expressed through the ballot box their repudiation of the Vice-President, Mr Medvedev said he supported Anatoli Lukyanov precisely because he was a very old and close associate of Mr Gorbachev's, going back to their student days. It was important, he said, that the President should have a genuinely like-minded depnty because time and again in the last two years when Mr Gorbachev had been abroad or on holiday there hed been "e 90-degree turn" in government policy. The clear implication was that continued liberalisation depends on Mr Gorbachev's survival in power.

Yet there is no donbt that public faith in Mr Gorbachev took a knock from the way in which the first few days of the congress went. The election of the new Supreme Soviet on Saturday and especially the non-election to it of Boris Yeltsin, appeared a slap in the face for the popular will, given Mr Yeltsin's overwhelming success in the first round of elections to the congress on March 26. At a well-attended meeting in Moscow's Luzhniki Stadium on Sunday loud cries of "shame" greeted the statement that respect for Mr Gorbachev was falling sharply because of his attempts "to silence democratic deputies", and that this was "the most shameful page in his political biography to date."

To an external observer of the congress these criticisms seemed harsh. Mr Gorbachev has, if anything, been rather a lax chairman, and democratically minded speakers have had mucb more of the speaking time than their numbers would apparently warrant. But there was a silent majority of old-style party faithful taking their lead from the platform, and the pletform (meaning principally Mr Gorbachev himself) inevitably took the blame for their performance.

We shall probably never know whose idea it was to propose 12 names for 11 seats for the Russian Federation in tha Chamber of Nationalities (one of the two chamhers in the new Supreme Soviet), or whether they did so on purpose so that Mr Yeltsin should be voted down. What is clear is that reaction in the country – not only in Moscow – unnerved the leadership. It was with ohvious relief that Mr Gorbachev yesterday found a way to bring Mr Yeltsin into the Supreme Soviet after all, and so to defuse the immediate crisis.

It is a fair guess that the memory of the crowds in Peking, honouring the memory of the fallen Hu Yaobang and calling for Deng to step down, has been present in Mr Gorbachev's mind during the last few days.

LETTERS

The aim is to land safely

From Mr John Wells.

Sir, Ralph Atkins and Maggie Urry write (May 25) that "an unexpectedly large fall in retail sales figures for April . . . reinforced hopes of a soft landing for the UK economy with low demand growth eventually feeding through into slower output and falling inflation."

While a reduction in retail sales is probably a necessary condition for a "soft" landing in current circumstances, it is by no means sufficient. Moreover, the fall in retail sales could just as easily presage a "hard" landing as a "soft" one.

A "soft" landing can be defined as a "recession free" improvement in the trade balance – consequent upon cutbacks in domestic expenditure (however induced) which are not associated with any appreciable losses in domestic output or employment.

A "hard" landing, on the other hand, is a situation in which improvements in the trade balance are accompanied by reductions in domestic output and employment.

Cuts in domestic expenditure affect both the traded and non-traded goods sectors. The reduction in domestic spending on non-traded goods and services (mainly construction and "sheltered" services) by definition gives rise to reductions in both output and employment in the non-traded sectors of the economy.

Reductions in domestic spending on traded goods and services (principally manufactures, but also the internationally traded services such as tourism), on the other hand, should not have any effect on the level of traded sector output. By definition, if traded output is not absorbed domestically, it can be switched to overseas markets.

The slowdown in the non-traded goods sector can be prevented from adversely affecting output and employment in the economy as a whole (a "hard" landing), only if the growth of world trade is sufficiently buoyant to allow resources to be switched from the non-traded to the traded sector at international competitiveness of traded output is improved – via, for example, a depreciation of the real exchange rate.

Either of these makes a "soft" landing more likely.

Returning to the April fall in retail sales, for evidence of a "soft" landing we would require:

● Improvements in the trade balance (of course);

● The maintenance of output and investment growth in the traded sector of the economy (particularly manufacturing);

● A non-increasing rate of unemployment.

Indications of a "hard" landing (presuming that domestic expenditure has been brought under control) would be:

● A non-improving or slowly improving trade balance;

● Sluggish output and investment performance in the traded sector;

● A halt to recent reductions in unemployment or even increasing unemployment (because of the unfavourable behaviour of employment in the services).

The danger in the current situation is that the rise in interest rates required to stabilise the real exchange rate (with counter-inflation top of the British Government's priorities) will impede successful external adjustment by constraining the competitiveness of the traded sectors of the economy, even as it succeeds in deflating domestic expenditure. This would make a "hard" landing more likely.

The attempt to hold the real exchange rate at a higher level than would be required to achieve a "soft" landing within a reasonable time is all the more surprising, given what the Chancellor said, on May 15 1985, when pressed by the House of Lords select committee on overseas trade to explain how the economy would adjust to a decline in North Sea oil output: "The balance on non-fuel trade, in particular trade in manufactures, will tend to improve, in part responding to the fall in the real – and I emphasise the word real – exchange rate".

John Wells,
Faculty of Economics and Politics,
University of Cambridge

Naval nuclear arms cuts

From Mr Colin Hines.

Sir, Reporting (May 24) Captain Richard Sharpe's, the editor of Jane's Fighting Ships, call for the West to take the lead in naval arms control, you failed to mention that the US navy has already begun unilateral disarmament, outside the arms control process.

By 1992 the US navy will have scrapped 1,100 of its short range maritime weapons. The rationale for this, in the words of Vice Admiral Mustin, former deputy chief of naval operations for plans, policy and operations, is: "The concept of a nuclear war at sea is a concept whose time has passed. It is in the interest of the country to persuade the Soviets that the time has passed."

The US navy's unilateral action on short range nuclear weapons, and the rationale produced for this, therefore makes Captain Sharpe's call for naval arms control initiatives by the West, on sea launched cruise missiles, extremely timely.

Colin Hines,
Greenpeace,
30-31 Islington Green, N1

Highly defined digit

From Mr Brian Evans.

Sir, Competing high definition television (HDTV) technologies have already produced a spin-off for ordinary television viewers: compact disc quality stereo sound from new television sets and video recorders now fitted with the strangely named NICAM option.

It seems unlikely that a single worldwide HDTV standard can be achieved while compatibility with many existing national TV standards is deemed important. The UK should instead adopt an all digital HDTV standard, which is broadcast in parallel with current programmes – just like the 405 and 625 line transmissions 25 years ago. Let us reserve the newly found Channel 5 frequencies for HDTV.

I applaud Lord Young's initiative to make more room in the terrestrial radio spectrum by moving BBC2 and Channel 4 on to satellite. What an incentive to buy a dish, whether round or square . . .

Brian T. Evans,
19 Cassiobury Park Avenue,
Watford, Hertfordshire

Scotland plays hard to get

From Dr Philip McGuire.

Sir, As a frequent traveller from New York to Edinburgh, I read James Buxton's article on Prestwick airport (May 18) with interest.

After enduring Kennedy airport (JFK) and a six-hour transatlantic flight, several more hours on a bus winding across Scotland turns a wearing journey into an ordeal.

It makes the status quo intolerable to discover that behind the persisting absence of transatlantic services to Glasgow or Edinburgh is the Conservatives' desire to prop up the Secretary of State for Scotland's diminishing hold on his Ayr constituency.

In future I shall join the growing numbers of travellers to Scotland who fly first to London and then catch the hourly shuttle north to Edinburgh or Glasgow. I would urge others to do likewise.

Philip K. McGuire,
869 Orange Street,
New Haven,
Connecticut 06511, USA

Cure for the cold war

From Mr Tony Christopher.

Sir, Observer's item on the Chinese cure for the common cold (May 19) is confirmed.

Last autumn my wife and I developed the seasonal cold to end all colds. We had just boarded the overnight train from Yichan to Wuhan. Our young escort, whose wife is an army doctor, produced the box of medicines she provided for travel – including, he said, antibiotics "to be taken only as a last resort."

We tried the Chinese potions: cubes like oversized Oxo cubes in hot water, and two little yellow pills; repeated again in the morning. By lunchtime the colds were gone.

We are relieved that we had not heard Mr Bentlien's story, reported by Observer, beforehand. But – snake dung or not – I would use the stuff again if I could get it.

Tony Christopher,
Inland Revenue Staff Federation,
Douglas Houghton House,
231 Vauxhall Bridge Road, SW1

FINANCIAL TIMES
Tuesday May 30 1989

Nakasone makes way for Uno

By Ian Rodger in Tokyo

THE resignation from Japan's ruling Liberal Democratic Party of former Prime Minister Yasuhiro Nakasone appears to clear the way for Mr Sosuke Uno, the Foreign Minister, to take over as premier in the next few days.

Mr Nakasone announced his move into political self-exile on Sunday, saying that he felt a "strong responsibility" for the Recruit bribery scandal, the subject of an 11-month official investigation which ended suddenly yesterday.

Political observers in Tokyo said Mr Nakasone came under heavy pressure at the weekend from other LDP leaders to take responsibility for the scandal. Also, his presence became more embarrassing as Mr Uno, a member of Mr Nakasone's faction, began to emerge last week as a potential prime minister.


Nakasone: political self-exile

Mr Nakasone's resignation came only three days after he had vigorously declared his innocence while being questioned about the Recruit affair in the Diet (parliament) under oath. The former Prime Minister is also to step down as leader of his faction, one of the four largest in the LDP, *although he will retain his parliamentary seat.*

The Recruit scandal arose as a result of a widespread campaign of bribes to top politicians and senior bureaucrats and businessmen in the mid 1980s. It has already forced Mr Takeshita and two other ministers to resign, and led to 13 people being indicted on bribery charges, one of whom was chief cabinet secretary in the Nakasone government.

Yesterday's announcement that the bribery probe had *ended came as a surprise,* and left many people feeling that the full details of how and why an ambitious entrepreneur, Mr Hiromasa Ezoe, the former chairman of the Recruit publishing and property group, had thrown so much money around so recklessly, had not been clarified.

Mr Yusuke Yoshinaga, head of the special investigation unit of the Tokyo Public Prosecutor's Office, gave no explanation for the sudden end. He called a press conference yesterday to announce indictments against four aides to politicians on minor electoral fund law infractions and four businessmen on securities law infringements in connection with the affair. He then said simply that the indictments brought the investigation to a close.

Investigators said privately they had been unable to make *cases against Mr Nakasone or* several other leading politicians known to have received large financial donations from the Recruit group.

Leaders of the LDP reacted with almost audible relief while protesting their contrition and determination to reform the country's corrupt political system.

Hungarian leadership faces open challenge by Pozsgay

By Leslie Colitt in Berlin

MR KAROLY GROSZ, the Hungarian Communist Party chief, will be swept out of office at an extraordinary party congress to be held later this year, according to Mr Imre Pozsgay, the most radical reformer in the country's lead*ership.*

The increasingly outspoken Mr Poszgay acknowledged that he was a prime candidate to become the party's new general secretary and oust the increasingly unpopular Mr Grosz.

"One cannot leave the party in crisis," he told the Financial Times during a visit to West Berlin.

If Mr Poszgay's bid for power succeeds, Hungary – which is already in the vanguard of reform in Eastern Europe – would have the most liberal leadership of any Soviet bloc state since 1945.

He said that he wanted to break with the party's tradition of covert political manoeuvring by openly announcing his intentions.

Mr Pozsgay said he was *faced with the choice of either* succeeding Mr Grosz or becoming the new Hungarian president with greatly expanded powers.

"State tasks appeal to me more," he said, "but the people must decide."

Mr Pozsgay said reformists were impatiently demanding an "authentic change" in the leadership.

He sharpened his criticism of Mr Grosz when he made public remarks in West Berlin regarding the political situation in Hungary.

Mr Pozsgay said that his country needed "authentic personalities" who could rise to the top by means of genuine deeds and not by acting as "world champions in adapting themselves."

This was a clear reference to Mr Grosz's conservative past before he ousted Mr Janos Kadar as party leader last May, when he formed an alliance of convenience with Mr Pozsgay.

The Hungarian reformer said yesterday's plenary session of the Central Committee could debate the holding of a Congress in September.

Grass roots party members were deeply frustrated by the lack of progress in democratising the party, and had applied intense pressure for a congress to be called.

Mr Grosz promised greater Party democracy last May but rank-and-file members said the Politburo still monopolised decision-making.

The Congress could lead to a wholesale exodus of conservative members who have rallied forces in an orthodox movement called the Ferenc Münnich Society.

Mr Pozsgay has warned that a split in the Party now would create a "power vacuum" but said the majority of reformist members would not tolerate a "Stalinist retroversion."

The Hungarian politician's visit to West Berlin for a speech to the European Academy amounted to a highly political demonstration.

Mr Pozsgay carefully avoided setting foot in East Berlin and he implicitly criticised its orthodox leadership by noting that "dictatorial Stalinist systems everywhere were undergoing a crisis" although he said they denied this. Such political systems could not be reformed but had to be changed, he said.

THE LEX COLUMN

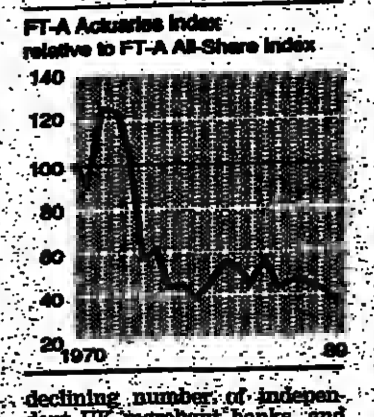
The decline of the baby boomers

Spot the links between the following stocks: Amstrad, Blue Arrow, Saatchi & Saatchi, Next, British & Commonwealth. All were once members of the FT-SE index, and none are now: all have underperformed the market by at least a third since its peak in 1987: and all are the creations of men below the age of fifty.

Not all the youngsters of the Thatcher years have yet been humbled. *Martin Sorrell's WPP* has just won its fight for Ogilvy, and Michael Green's Carlton Communications last week used its paper as currency for the £500m-odd purchase of UEI. But a striking number of underperforming stocks recently have been companies built and run by individuals in their 40s or younger: Coloroll, down 53 per cent in relative terms since the stock market peak: Gateway, down 13 per cent relative since the peak despite being bid for: Williams Holdings – another ex-FT-SE stock – down 30 per cent relative in the past year: and so on.

Comparisons with the Slater generation of entrepreneurs in the late 1960s and early 1970s should not be exaggerated. That was a time of pure financial engineering, and most of the operators of the 1980s have concentrated on buying and running businesses. But most of these businesses have never seen a recession, and many have relied heavily for their growth on the more adventurous forms of acquisition accounting. In the succinct phrase of Phillips & Drew, recessions uncover what auditors fail to spot. It is a logical time for the market to discover the more traditional virtues.

But the market has itself to *blame for succumbing to the* glamour of the under-50s in the first place. Among the big outperformers since the peak are two companies created by baby boomers whom the market never liked or trusted: Asil Nadir of Polly Peck and Mich*ael Ashcroft of ADT.*



UK merchant banks

Perhaps the stock market was right not to read too much significance into the Bank of Yokohama's purchase of majority control of Guinness Mahon last week. It is not the first time that a foreign bank has been allowed to buy a UK merchant bank, and the authorities were anxious to see GM pass into firm and conservative hands after the failure of GM's majority shareholder. However, the transaction has highlighted once again the declining number of independent UK merchant banks, and the relative ease with which a friendly takeover, at least, can be transacted.

The sums at stake are not very large. S.G. Warburg, the market leader, is far and away the biggest, with a market capitalisation of a shade over £800m. The top five merchant banks together only have a combined market capitalisation of £2bn, and the remainder could probably be picked up for no more than £500m. However, the big question is whether there is much of an *appetite for ageing City* merchant banks at a time when their trading performance is dismal, and their future profitability uncertain.

One has only to look at how a famous old name like Arbuthnot Latham has passed *from hand to hand* to get a sense of the impermanence of many of these acquisitions. Few have been a success. Nevertheless, the number of strategic stakes in every bank from Leopold Joseph to Kleinwort Benson suggests that ambi*tions remain* undimmed, and takeover prospects cannot be ignored just because the banks' trading outlook is so rotten.

While the Bank of England would probably not permit a bid for Warburg, the rest are probably fair game, especially *if the arrival of a strong* foreign owner promised long-term stability. The problem is that maximising shareholder value has never been a high priority for a merchant bank, and, for some strange reason, hostile takeovers remain taboo. Until there is any sign of change on both scores, predicting the next takeover target is useless.

Oil

The extraordinary calm that was billed for next week's Opec meeting now seems certain to be replaced by the usual display of bad temper. The dreaded question of individual quotas has been reopened by Kuwait's demands for a bigger share for itself; while the unpopular idea of a $15 floor to the price is once again being peddled by Saudi Arabia.

However, no one seems particularly worried. Although the price has fallen by almost $4 in the last month or so, $21 oil was never meant to last, and $17 is more than almost anyone expected even six months ago. The market reasons that both contentious issues will be postponed until the next meeting, as it is in no one's interest to threaten a system that is working unusually well. For the first time in years the market background to the meeting is favourable, and with demand so strong, Opec has plenty of room to fudge. Production is already running 2m barrels a day above quota, and all of that can be absorbed by the market even with North Sea production back to normal. There is scope to extend the overall quota to 20m barrels a day, and still leave room for the usual cheating without putting undue pressure on prices.

For once, politics are less important than demand in setting the oil price; unfortunately, the market has had no more luck in predicting that than getting Opec moods right. However, at least for now an underlying increase of 2.5 per cent in demand seems reasonably certain, and it could be more if the industry responds to recent accidents by holding more stocks. The latest signs are good: in the US, refineries are running flat out, keeping the price of gasolins high, and in the Far East stocks are at their lowest levels ever. The real risk is that demand will weaken as unexpectedly as it grew: in which case Opec would really be in trouble.

Brewing

The negotiations now under way on the shape of the brewing industry could affect the future not only of the brewers, but of the Monopolies Commission as well. If the 2,000 pub ceiling is removed in favour of a regional pub swap, the MMC has been wasting its time for the past 2½ years. The thrust of the investigation was into whether vertical integration in brewing assisted the working of a complex monopoly. The report found that it did; and if vertical integration is now left alone, the beerage has escaped intact. That should be good news for other industries now under scrutiny – betting, credit cards and petrol stations, for instance – but not necessarily for the taxpayer or the consumer.

US Democrats ready for leadership fight

By Lionel Barber in Washington

REPUBLICANS waging an ethics crusade in the US House of Representatives are this week expected to complete the rout of the Democratic leadership by forcing the resignation of Mr Jim Wright, the Speaker.

Mr Wright's *expected departure,* which could come as early as tomorrow, would follow the announcement by Mr Tony Coelho, the third ranking House Democrat, that he is resigning his California seat on June 15. The removal of two of the top three *House Democrats* in mid-session is unprecedented, and has opened up a party leadership fight.

Mr Tom Foley of Washington state, the 60-year-old House majority leader, is widely expected to move up unopposed to the Speakership.

Mr Richard Gephardt of Missouri, a presidential candidate in 1988 with a protectionist trade bent, is building support rapidly for the majority leader's job, but the other lower *posts are likely to be fiercely* contested.

The Republican ethics crusade has been led by Mr Newt Gingrich of Georgia, who accused Mr Wright last year of breaking House rules by accepting gifts from a business *friend and skirting outside* income limits.

At the time, Mr Gingrich was responding to Democratic charges of lax ethics in the Reagan Administration, but his complaints have broadened into an assault on 35 years of Democratic control of the House of Representatives.

Mr Coelho, a master fundraiser and Mr Wright's alter ego in the hundredth Congress, resigned last Friday following revelations that he obtained *favourable terms for* purchasing $100,000 of high-yield junk bonds from Drexel Burnham Lambert, the investment bankers and a key source of Democratic campaign contributions.

The investment yielded a profit of only $6,800 for Mr *Coelho, but the Congressman* admitted he had failed to ensure that the bonds were recorded in his name, rather than the Democratic Congressional campaign committee.

At the weekend, Mr Coelho said that he had no desire to face a prolonged investigation by the House ethics committee such as Mr Wright has endured. His resignation seems certain to end Mr Wright's fight against resignation, though *friends say the Texan Speaker is loath to yield his* post.

Mr Gingrich said he intends to pursue his campaign to clean up the House.

"Wright and Coelho are symptoms of a disease," he said.

*"Do they serve only as scape*goats, or does the House insist on real reforms now in the 99 per cent re-election rate and campaign laws so we can take power away from the incumbents and give it back to the American people."

London SE faces revolt on share settlement plans

By Clive Wolman in London

A MOUNTING rebellion of stockbrokers, company secretaries and registrars is likely to block London Stock Exchange proposals for computerising the tortuous and costly paper-based process of settling and registering share bargains.

The conflict, which is set to come to a head at a meeting next month, has reduced almost to zero the chances of introducing a modern settlements system before the mid-1990 deadline set by the stock exchange, after more than 20 years of controversy and U-turns.

The opposition group has crystallised around rival proposals which would allow registrars to retain most of their traditional functions – and their fee income – by keeping up-to-date registers of shareholders. This might make it easier for company executives to see updated lists of their shareholders, including the emergence of potentially hostile stakes.

Deadlock is reported in the technical working party which is due to report on the feasibility of the stock exchange proposals on June 16 to the securities industry's Siscot committee.

Suspicions have been fuelled by the failure of Touche Ross, the management consultancy, to produce a cost-benefit analysis of the proposals. Stockbrokers have complained that they could not understand the questions that Touche Ross has been asking them as part of the exercise about the impact on their costs of the new proposals.

"It's all getting very complicated, very frustrating and highly political," said one stockbroker who was a leading member of Siscot, which recommended the controversial proposals endorsed by the Stock Exchange Council last month.

Siscot was set up in November because of fears about the costs of the original, and already well-advanced, computerisation proposals, now known as Taurus-1 (Transfer and Automated Registration of Uncertificated Stock). These were approved as long ago as 1981.

The Siscot recommendation, named Taurus-3, involves extending the exchange's existing electronic system for transferring and registering shares, Sepon, which is available only to market makers. Within Sepon, companies' shares would be registered in the names of up to 1,000 large institutional investors, banks and Stockbroking firms which would act as nominees holding shares in computerised sub-registers for smaller investors.

The chief objection to the access system proposed in Taurus-3 is that the burdens will be excessive on the stockbroking firms when they are trying to cope with the continuous demands by companies for updates from their sub-registers. Some stockbroking firms with a consistently poor record of managing technology would undermine the effectiveness of the system as a whole.

To set up a network with sufficient capacity to overcome these problems would be prohibitively expensive and take too long.

Heath attacks Thatcher's attitude to EC policies

By David Buchan in Brussels and Tom Lynch in London

MR EDWARD HEATH, the former British Prime Minister, yesterday delivered his most comprehensive and strongly worded attack on Mrs Margaret Thatcher's stance on the European Community.

In a speech in Brussels co-sponsored by the Bruges-based College of Europe, he said he had come to "wipe away the stain" left by Mrs Thatcher's speech to the same body in September, in which she warned against the creation of a European super-state.

It was "preposterous and insulting" for the Mrs Thatcher to pretend she intended Britain to become a full member of the European Monetary System, and it was "false popularism" and "patronising, self-serving hypocrisy" to accuse the Commission of trying to create "an identikit European personality."

Such an attack delivered in the unofficial capital of Europe by the former Prime Minister of the same party who negotiated Britain's EC membership is likely to encourage those heads of other EC governments who want a showdown with Mrs Thatcher on monetary and social policies at next month's Madrid summit.

In Britain, Mr Heath's decision to step up his campaign against his party leader's vision of Europe will embarrass the Tories in advance of next month's European elections when some opinion polls show the opposition Labour Party running level with or ahead of the Government.

In contrast to Mrs Thatcher's suspicion of EC social policy and monetary union, Mr Heath called for speedy progress towards economic and monetary union and "constructive input" into social policymaking.

Paying tribute to the College of Europe as "the intellectual focus for European unity," Mr Heath said the right way for Britain to treat its EC partners was not to "Euro-bash" or to "smear the Community as socialist, let alone marxist" but to follow the preference of most Britons to be constructive and open minded in the debate about Community policies.

Mr Heath suggested that the British Government was playing "the sovereignty card" to distract attention from domestic difficulties of its own making, such as health service reform, water privatisation, the community charge, or poll tax, and its own EC policies.

London was opposing EC cigarette labelling standards, even though it would help reduce trade barriers, Mr Heath said. International co-operation, as in the Anglo-Irish agreement, was the answer to stemming terrorism, which should not be used as a pretext to maintain border checks.

He challenged the Mrs Thatcher to "declare that she has absolutely no intention of becoming a full member of the EMS, despite the fact that membership is supported by her Chancellor, her Foreign Secretary and the Governor of the Bank of England, to name but a few."

Mr Heath welcomed the recent Delors report on steps towards economic and monetary union.

Bush wins Nato support for cuts

Continued from Page 1

third zero. Mrs Thatcher, who has taken the toughest line against any talks on this issue, implicitly accepted that there could be negotiations, but not until Nato was satisfied that "tangible reductions had been made."

Both Mrs Thatcher and Mr Bush firmly rejected the third zero, but Chancellor Kohl offered a more qualified view. He accepted the need for nuclear weapons in Europe

The pressure to ease the Cocom restrictions on western sales of technology to the Soviet Union has recently been given added force by a dispute between the UK and the US over a Simon Engineering contract to build a plant using advanced computer equipment

Zhao set for dismissal as party chief

Continued from Page 1

Part of the pay-off to the PLA is said by Chinese sources to be a guarantee that Yang Shangkun, the president and a general, is given a major role.

Qin Jiwei, the defence minister likely to be purged in tandem with Zhao, clashed with Yang over the use of the military to control the protests, and was shocked to discover that Deng had ordered troops sympathetic to him into the Peking military region.

Qin is also blamed for the refusal of Peking troops to advance into the capital when ordered, and for the failure to supply the troops who were sent to the outskirts of the city.

Li Peng may have a few military fans in the Fragrant Hills, but a majority of PLA officers and the populace disapprove of the premier, who does not have a provincial power base and whose authority is derived from the coalition of aged revolutionaries now running the country.

WORLD WEATHER

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Valencia	[illegible]	[illegible]	[illegible]
Venice	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Warsaw	[illegible]	[illegible]	[illegible]
Washington	[illegible]	[illegible]	[illegible]
Wellington	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US trade policies under fire

Continued from Page 1

lateral trade liberalisation talks could become a "sideshow" because of Super 301.

The Super 301 decisions will push some serious agenda issues such as agricultural trade, the environment and structural policies into the background in Paris.

The US moves have come when the nerves of policy makers in the industrialised countries are already under strain.

Despite much burning of midnight oil by officials drafting the communiqué for this week's meeting, a large number of detailed differences remain over policy.

Although this week's meeting – like previous ministerials – will enable the OECD's member states to take the temperature of the world economy, it remains to be seen whether they will be able to agree on how to read the thermometer.

Preliminary talks ahead of this week's meeting have exposed differences between the US and other OECD members on the priority to be accorded to the battle against inflation.

The US has made clear that it does not believe serious inflationary pressures exist.

Other countries, including Britain, think otherwise and will point to the latest OECD economic projections which show average inflation in the OECD staying at 4.5 per cent this year and next, with inflation in the US rising to 5.25 per cent in 1990 from 5 per cent this year.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 30 1989

INSIDE

Poring over Japan's financial lessons

Do Western managers have anything to learn from Japanese financial methods? Some believe that the obsession of Wall Street and the City of London with short-term performance contrasts poorly with a Japanese concentration on long term-goals. Others maintain that Japan lacks financial sophistication. Clive Wolman argues in the Business Column that both views are flawed, yet crucial differences remain between the two cultures. Page 44

Going down in Australia

The troubles of Australia's broking industry were dramatically exposed yesterday when provisional liquidators were appointed at Jackson's, the listed Sydney firm. Shares were suspended, and Jackson's futures operation stopped business. Page 24

RTZ's credits mine

An upsurge in UK takeover activity last week also produced some large bid financing deals. The biggest, if also the most conventional, was the $3.1bn debt package organised for RTZ Corporation, the UK mining house chaired by Sir Alistair Frame (left), to finance its acquisition of BP Minerals. The credit facilities were co-arranged by Barclays Bank and Morgan Guaranty Trust, which underwrote the deal together with Credit Suisse, Deutsche Bank and the Toronto-Dominion Bank. Stephen Fidler looks at this and other financings. Page 22

Hong Kong cash call scrapped

Unrest in China yesterday led to one of Hong Kong's biggest ever fund-raising exercises being abandoned when underwriters withdrew from a HK$3.86bn ($500m) rights issue launched seven weeks ago by Hopewell Holdings, a prominent property and construction group. Page 24

Market Statistics

Companies in this section

Toshiba takes off for the Sun

Louise Kehoe on a daring move to set new personal computer standards

A BOLD move to establish alternative hardware and software standards for the next generation of personal computers will be launched today when Sun Microsystems, the US computer workstation market leader, announces an agreement to licensa its technology to Toshiba, of Japan.

Toshiba, the world market leader in lap-top personal computers, plans to use the Sun technology to create a new class of computer products that will be compatible with Sun's high-performance workstations yet competitive in price with under-$5,000 PCs. The licensing agreement, which will be formally announced today, enables Toshiba to manufacture its own version of Sun's Sparc reduced instruction set computer (Risc) microprocessor and to use Sun system software, including the Sun Unix operating system, in computer products.

Toshiba says that it will introduce its first Sparc computer systems in early 1990 and that it expects to ship the new computers worldwide "in the kind of volumes that will attract many mainstream personal computer software applications."

By licensing Toshiba to make Sparc PCs, Sun aims to establish its computer architecture as a new worldwide standard for computing. "You are going to see Sparc systems at every level from lap-top computers to supercomputers," boasts Sun Microsystems president Scott McNealy.

The new Toshiba computers are expected to fit into the "lap-top" category of highly portable, small computers used widely by business travellers in the West, and popular in the crowded offices of Japanese companies.

Sun could not hope to span the entire computer market alone, Mr McNealy explains. "There is no way that Sun's architecture can be implemented by Sun itself to cover all markets, all technologies, all applications. There will be lots of companies that will implement the Sun architecture and take it into areas where we cannot play," he predicts.

"This allows us to compete against IBM, which can walk in and say that it has everything from soup to nuts. We'll have soup to nuts from a number of compatible vendors."

Sun's agreement with Toshiba represents an important step in implementing this strategy and a direct challenge to established "IBM-compatible" PC standards based on Intel'a microprocessors and Microsoft operating systems.

Intel has so far dominated the desk-top computer microprocessor market with its Complex Instruction Set Computer (Cisc) technology. Cisc microprocessors, such as Intel's latest 386 chip used in IBM and IBM-compatible PCs, incorporate microprograms that enabla the chip to perform the most frequently used functions of a PC very efficiently.

In contrast, Risc microprocessors such as Sun'a Sparc process only simple instructions, but they do so at record speed.

The Risc versus Cisc chip performance race is linked to the software standards battle between established operating systems such as Microsoft'a MS/DOS most widely-used PC operating systems, and Unix, an operating system originated by AT&T, the US telecommunications giant, that has become the focus of efforts to create "open systems" standards to enable all sorts of computers to share applications programs and data.

Toshiba's endorsement of the Risc and Unix approach may add critical weight to the Risc/Unix side of the industry.

The Japanese company says that initially it will purchase Sparc chips from one or more of the five semiconductor manufacturers already licensed to develop them. These inclnda Texas Instrument and LSI Logic of the US and Fujitsu in Japan.

In the meantime, Toshiba will develop its own version of Sparc for use in its computers. The Toshiba chip will be smaller and faster than those developed by other chipmakers, says Mr Makoto Ihara of Toshiba.

While declining to provide details of the planned computer products, Mr Ihara says Toshiba is looking at the possibility of producing several Sparc-based systems "that will not compete with Sun Microsystems' offerings, but rather complement Sun's Sparc systems."

Sun itself is expected to enter the PC market soon, and already offers low-end computer workstations that compete directly with high-performance PCs.

An essential ingredient in Son's strategy to establish Sparc as a standard computer architecture is PC applications software. Although Sun claims that over 500 applications programs have been created to run on Sparc computers, far more than for any other Risc-based systems, Sparc has so far not attracted the interest of leading PC software developers.

Toshiba's announcement could help to change that – broadening the potential market for Sun's own computers as well as those made by other Sparc licensees.

Mr Joichi Aoi, president and chief executive of Toshiba. The company will introduce its first Sparc computers in early 1990

For Toshiba, which has built a strong position in the European PC market and established itself as the leading lap-top computer supplier in the US, the Sun license represents an opportunity to become an early entrant in what may develop into an important new sector of the computer industry – a market for Unix workstation "clones".

Just as Taiwanese and South Korean manufacturers offering clones of IBM PCs have won a major share of the PC market, so Asian manufacturers are expected to move in on the Unix workstation market with low-cost clones.

The trade implications of the agreement between Sun and Toshiba are unlikely to be ignored. Through its licensing agreement with Toshiba, Sun may be seen to have opened the door for foreign competition in a market that has so far been dominated by US manufacturers.

Currently Toshiba and other Japanese PC manufacturers must pay 100 per cent import tariffs on 8 and 16-bit PCs exported to the US. The sanctions were imposed in 1987 in the wake of the semiconductor trade dispute between the US and Japan.

The sanctions do not currently cover 32-bit computers, such as those based upon the Sparc chip, but are open to revision.

Whatever action the US Government may take with regard to the Japanese trade dispute, it is clear that US computer markers will face severe foreign competition – some of it invited by Sun Microsystems.

The unremarked American turnaround

By Anthony Harris in Washington

LAST FRIDAY, just as you were probably going on holiday, the statisticians provided some footnotes on the earlier news about US trade and consumer spending.

The first-quarter trade report, taken with the April figures for personal income and expenditure, suggest that there was nothing freakish about the March trade figures, which set off the dollar boom a fortnight ago: they appear part of a solid trend. The message is reassuring, and potentially even sensational; but you will only have heard it if you read the small print.

American consumers appear to hold the key; in the first four months of this year they saved more than 45 per cent more than in an average four months in 1988. If this trend is maintained, they will save $65bn more this year than they did last. The change is clearly reflected in the trade figures.

The quarterly trade figures are usually passed over as stale news, but they do contain details and corrections not to be found in the monthly figures; and they also give volume figures.

The effect this year is striking: the corrected figures show that while exports have been growing at about the rate the earlier figures suggested, imports were almost unchanged in value in the first quarter, and actually down in volume.

The biggest change was a 3 per cent fall in the volume of consumer goods imports, and this came as a surprise. When the monthly figures appeared, most commentators were still talking about the goods sucked in by the American appetite for imported goods. It turns out that the people doing the sucking were foreign companies, bringing in parts and equipment for their rapidly expanding operations here. These plants are not only displacing imports, but beginning to export, too – things like Hondas for Japan. For Europe too, soon.

Now, if President Bush announced that he and Congress were already cutting the Federal deficit at an annual rate of $65bn, through reduced spending, and helping to cut the trade deficit as a result, even the Japanese critics of US policy would surely cheer. But when consumers look like achieving exactly the same adjustment in the US savings/investment balance by cutting their spending, you have to hunt for any reaction at all.

This is largely because the economic theorists have no explanation for the rise in saving, so nobody knows if it is reliable. We will probably have to wait years for theory to catch up with the facts: that is how modern, statistical economics tends to work. Until then, the odd forecasters like Ed Yardeni of Prudential Bache, and myself, who have been expecting a demographic rise in savings all along, can only keep our fingers crossed. (This at least makes it difficult for us to rub our hands together in glee.)

So much for theorists and commentators; but what about the markets? They have been behaving for the last two weeks as if they know the news even before the statisticians had worked it out. And the currency dealers are not the only masters of anticipation.

Did you know, for example, that the whole of the celebrated Federal deficit now consists entirely of interest payments on the national debt? Such a deficit is largely self-financing, thanks to the more or less automatic reinvestment of coupon income by existing bondholders. Yon probably did not know this; but the bond market apparently did.

These achievements surely tell us something about how markets really work. Commentators nearly always discuss price movements as responses to the published news; dealers, who have to find something to say when journalists ring them up, confirm this impression. But the fact is that markets are moved by financial flows – buying and selling orders – long before the statisticians can collect and publish them. Goods move, people earn and borrow, spend and save, feel good or bad about life and ring their stockbrokers. The financial flows which result move prices, and contain the yet-unpublished news.

So the markets are a little like Molière's M. Jourdain, who discovered that he had been talking prose all his life without knowing it. Traders are responding to news they have not yet heard; when they are later "surprised" by the published figures, they are in danger of doing a double-take. (Information theorists might try playing with this as an explanation for market volatility.)

The truth is that much economic news is published long after the markets have responded to it. This is a grim confession to have to make in this newspaper, but there is nothing to be done about it. Official statistics are not current events, but recent history – and inaccurate history at that. Mr Harold MacMillan, the former UK prime minister, made this point when he said that the most pressing problem in making economic policy was forecasting the recent past. American statistics can be more historical (and at times more inaccurate) than most.

A fortnight ago the markets were surprised by the good US trade figures for March; yet when the figures appeared, the events they reported were already nearly two months old. The payments shown in the report were being made in March – and so, for that matter, were progress payments and hedging transactions to cover trade which may still have not cleared customs today. Some of the "news" which moved prices in the spring will not be published officially until two or three months from now.

Finally, a couple of good-news footnotes. One is simply an unexplained fact: personal tax payments seem to be running some $15bn above official projections, for the second year running. Either incomes are higher than reported, or the 1986 US tax reform was not quite as revenue-neutral as it was designed to be. Is this something else the bond traders unconsciously "knew" all along?

The second is no more than a suggestion at this stage: the current wave of ethics scandals in Congress could open the way to some real improvement in policy-making and public spending control. The scandals concern the ways in which Congressmen raise the huge sums of money needed for campaigning, US style; they get into trouble when it is thought that they are in fact lining their own pockets – an understandable temptation, since they have not had a pay increase since 1981.

In fact, the damage caused by the American system is more insidious: it almost forces Congressmen to attract contributions by promising local favours. A new ethics bill is on the way, which will certainly tighten up the financing rules to some extent. Since pork-barrel politics is in any case virtually built in to the Federal system, it is no good expecting miracles; but it would not take a miracle to produce a useful improvement.

Economics Notebook

Eagerness of the EC in-crowd

MRS THATCHER may not think much of European integration. But among the European Community's neighbours the subject has become an obsession.

Three days at last week's International Management Symposium in St Gallen were an eye opener in many ways. In eastern Switzerland, Mr Lawson's travails with inflation, sterling and bank base rates made not the slightest impact on the Richter Scale of issues for concern.

While the Prime Minister frets about loss of British sovereignty, EC developments are making countries like Austria and Switzerland re-examine many sacred cows.

Mr David de Pury, Switzerland's chief trade negotiator, summed up the intellectual ferment with the observation that "there are no longer any taboos."

Hallowed institutions such as Switzerland's heavily protected agriculture, its army – even its neutrality – are subject to critical scrutiny.

Although Switzerland regards membership of the EC as politically unrealistic at present, its economic and foreign policy is aimed at becoming fully involved in the European "economic area" that it expects to emerge from the 1992 project for a barrier-free internal market.

Austria appears further down the EC road than Switzerland. Mr Franz Vranitzky, the Austrian Chancellor, fully expects that present internal studies will lead to a formal application to join the EC and is determined that Austria should participate fully in the creation of the internal market.

Whether such hopes are realistic is another matter. Austria's application will be coupled with demands for the maintenance of Austria's neutrality and measures to ensure that the country retains its characteristic farms and forests and its high social and environmental standards.

It was hardly surprising, therefore, to hear Mr Gaston Thorn, the former EC commissioner, inject an element of caution into the proceedings.

The community, he said, was not urging countries like Austria to come into the club. Indeed, outsiders would have to take the key elements of the EC such as the Treaty of Rome and the Single European Act as they found them.

But Mr Vranitzky's eagerness to join the EC tells a lot about how the community is viewed by those immediately on the outside.

Increased integration is regarded as unstoppable. Industry in Switzerland, Austria and Sweden is constantly pressing for closer ties.

There is also a fear of being left ont. For example, Mr Marcus Lusser, the president of the Swiss National Bank, warned that an integrated Europe could have the same capacity in the future as the US has in the past to transmit economic "shocks" to the rest of the world.

Southern discomfort

There are growing fears in the south of the EC that Europe could itself be subject to economic, political and social shocks from the impoverished nations of North Africa.

Professor Romano Prodi, president of Italy'a giant state-owned IRI holding company, warned that Europe could face a problem more grave on its southern flank than that posed for the US by Mexico.

Mexico has recently made considerable economic progress. Its budget deficit has been reduced; trade barriers have been cut by two thirds; public enterprises have been sold.

Although half Mexico's population is under the age of 15, there are some hopes that it will now obtain the large and continuing flow of imported capital that it needs.

Mr Prodi, who was an Italian minister of industry before turning industrialist, argues that the countries on the southern shore of the Mediterranean are extremely poor, with rapidly rising populations and – unlike Mexico – with no sign of economic take off.

Ha believes that the European Community must devise a plan for the region lest it become a long-term threat to Europe's prosperity and peace.

Soviet clarity

The spirit of Glasnost was alive and well in St Gallen last week. But the assembled businessmen also sent a hard-headed message to Moscow to the effect that large-scale Western investment in the USSR will not be possible until the Soviet Union learns about profits and how to calculate costs and prices in the same way as the West.

The appearance of two Soviet students of business administration at the symposium suggests that such a day may not be so far in the future.

Soviet business schools modelled on those in the West have already been established in Kiev and Moscow.

One of these – the Ukranian School of International Business in Kiev – is trying to make the Soviet economy more transparent to the outside world.

It has started offering Soviet economic indicators to subscribers in the East and West on a quarterly basis. Although it provides the sarvice in English, Russian and Ukrainian, tha only subscription prices it quotes are in dollars.

Peter Norman

THIS WEEK

US LABOUR market figures on Friday, which will provide the first indications of the strength of economic activity in May, are likaly to be the most closely watched statistics in financial markets this week.

The recent volatility of the dollar has largely hinged on speculation about a possible slowdown in economic growth which may eventually lead to lower interest rates. A modest rise in employment could further encourage markets.

The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a rise of 200,000 in non-farm payrolls against 117,000 in April. The unemployment rate is expected to fall to 5.2 per cent, from 5.3 per cent in April.

Government ministers from members of the Organisation for Economic Cooperation and Development meat in Paris tomorrow and Thursday. Discussions are likely to focus on worldwide macro-economic policies and problems.

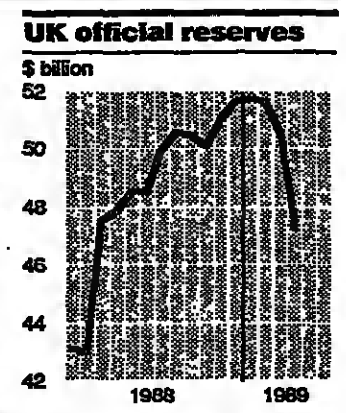
Speculation about a rise in West German interest rates could intensify when the Bundesbank council meets in Berlin on Thursday, its annual visit to the city. A rise in rates is thought unlikely.

Also in West Germany figures for industrial production in April and consumer prices in May are expected this week.

Opec oil ministers meet in Vieuna on Thursday, in advance of the formal ministerial conference acheduled for Juna 5. The meeting will decide on the Opec production ceiling for the second half of the year as well as individual quotas for members. The meeting is expected to address some contentious issues, and could have a big impact on oil prices.

French trade figures for April will be released tomorrow and could trigger fresh fears of a widening trade gap. Figures for March, showing a deficit of FFr262m ($38m), are widely thought to have been freakishly low.

UK economic statistics centre on official reserves figures for May releasad on Friday. These could attract more attention than usual as they will reflect the scale of Bank of England intervention to snpport sterling and check rises in the dollar.



The consensus is for an underlying fall of $1.2bn.

Other events and statistics this week (with MMS international consensus in brackets) include:

Today: US new home sales in April (+1.4 per cent). UK, new vehicle registrations in April.

Wednesday: US factory goods orders in April (+1.8 per cent), leading indicators for April (+0.8 per cent). Mr Michel Camdessus, managing director of tha International Monetary Fund delivers speech in Paris on recent developments and proposals for third world debt. Bank of England publishes statistics including bill turnover and final money supply figures for April.

Thursday: UK, Department of Trade and Industry publishes Spring survey of investment intentions in manufacturing and service industries.

Friday: UK, company liquidity survay in first quarter. Finance ministers of the group of ten leading industrial nations meet in Berne, Switzerland to andorse a report on responsibilities of tha International Monetary Fund and World Bank in the debt crisis.

EUROCREDITS

RTZ heads queue for takeover funds

DETAILS of some long-awaited takeover financings emerged last week with the upsurge in merger and acquisition activity in the UK.

The largest, and the most conventional, of these was the $3.1bn in loans for RTZ to help finance its $4.3bn purchase of the mineral assets of British Petroleum. The loans, accompanied by a £486m rights issue, will boost the company's gearing – net borrowings as a percentage of shareholder funds – from 7 per cent at the end of last year to about 93 per cent.

The financing was arranged by Barclays Bank and J.P. Morgan which, along with Crédit Suisse, Deutsche Bank and the Toronto-Dominion Bank, have underwritten the facility.

Tinto Investments, a Canadian snbsidiary, will borrow up to US$700m for five years, paying interest of 0.3 percentage points over the London interbank offered rate. Two US subsidiaries will borrow up to $2.4bn for eight years at 40 basis points.

Explaining why the terms were not more favourable to RTZ, the company said "these margins reflect the relatively large size of the financing, the long average life of the amortisation schedule (which is designed to optimise the group's tax efficiency) and the large individual bank participation amounts."

The loans, which will probably be refinanced by the company, were launched into general syndication on Wednesday with RTZ relationship banks.

Midland Montagu, which in the previous week underwrote with Citicorp $910m in acquisition finance for WPP, is also co-underwriting a £427m David and Goliath bid launched last week by Anglo United, an open-cast mining and fuel distribution company, for Coalite. The £430m acquisition financing reflects the fact that Anglo United wants Coalite's fuel distribution network, and would dispose of much of the rest.

The other underwriter of the £200m 1¼-year bridging facility and £230m 6¼-year acquisition facility is Hongkong & Shanghai Bank. It will not be syndicated unless and until the bid is successful.

Citicorp Investment Bank launched two corporate deals last week. The largest was a $500m multi-option facility for the finance subsidiary of Elders Resources NZFP, the New-Zealand incorporated forest products group which is 49 per cent held by Elders IXL.

The five-year facility carries an underwriting fee of 12½ basis points, with a margin of 15 basis points. Utilisation fees start at 5 basis points if more than a third is drawn and 7½ basis points if more than two thirds.

A measure of the advantage some US companies believe exists in the international markets is contained in the rapid refinancing of a segment of a US-syndicated financing signed last October for Burlington Northern Railroad of Fort Worth, which operates railways in 25 states and Canada.

The original $750m facility was for five years and carried a margin of ⅛ point and a commitment fee of 1/16 point, although both would come down in the case of a sufficient improvement in the company's credit rating.

The international deal was apparently the idea of a new finance director, who believed last year's facility, also arranged by Citicorp, could be improved on. Although admittedly shorter in maturity and smaller in size – $300m over three years – the financing carries a facility fee of 10 basis points, an interest margin of 12½ basis points and a ntilisation fee of 7½ basis points if more than half used.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,367.0	0.0	10.0	10,573.3
Prev	3,458.9	0.0	159.0	9,728.4
Other	881.1	0.0	0.0	1,304.4
Prev	1,230.7	6.3	50.2	2,742.5
Secondary Market				
US$	29,129.1	1,087.3	6,787.9	7,381.0
Prev	20,850.3	1,117.4	5,416.9	7,110.4
Other	13,872.6	954.1	3,260.2	22,604.8
Prev	13,525.6	809.1	5,572.3	26,845.2
	Cedel	Euroclear	Total	
US$	11,966.1	44,369.5	56,335.6	
Prev	10,834.9	37,006.4	47,841.3	
Other	18,440.6	24,436.6	42,877.2	
Prev	21,935.9	28,846.0	50,781.9	

Week to May 25, 1989 Source: AIBD

INTERNATIONAL BONDS

Spotlight falls on price support in new-issue sector

THE FUTURE of trading on the new-issue, or primary, sector of the Euromarkets came under the spotlight last week, reclaiming the leading place it has occupied in the minds of syndicate managers this year.

This time the question on traders' lips was whether new Eurobond issues needed formal price support from the lead manager. They were prompted partly by the realisation that deals without obvious support were struggling in a choppy market.

In the eye of the storm was Crédit Suisse First Boston, which in March asserted via Mr Hans-Jeorg Rudloff, its chairman, that it would no longer make prices of its new issues to independent brokers.

Mr Rudloff argued that the brokers provided an outlet for intermediaries in an unprofitable market and that by making prices only to its syndicate partners, CSFB would encourage discipline and enhance the efficiency of primary distribution of the bonds.

In particular, brokers were the normal vehicle by which co-managers could anonymously sell their allocations back to the lead manager if they were unable or unwilling to work at distributing the paper to end-investors.

Many syndicate officials dissented from CSFB's policy when it was announced, saying the brokers added liquidity and transparency to a market where the display of genuine prices was vital to credibility.

Last week it emerged that other houses have been consistently bidding on broker's screens for several of CSFB's deals, including Du Pont and the recent Electrolux issue.

This led to comment that CSFB was supporting its issues via third parties, although everyone denied there was any formal arrangement. Some houses involved said they did not agree with the specific policy of not making prices to brokers.

Through the debate aroused by CSFB's policy, it has become clear that the market's original interpretation of the new-issue procedure as primarily an attack on the brokers was wrong. The real intention of the policy was to go to the heart of a contradiction inherent in the current ethos of the underwriting community, a contradiction which many senior managers think will have to be removed if the Euromarket is to survive.

If a bank or securities house believes it can distribute paper to investors as part of an underwriting syndicate, it clearly has the motivation to enter a deal, either buying the whole deal as lead manager or accepting a lower management invitation.

With genuine placement power, a house has no interest in exploiting the anonymity provided by the shield of the independent brokers. However, if it accepts a deal knowing it has no placement power or without the intention to try to place the bonds, a house can dump its bonds and with them the underwriting responsibility implied by its acceptance of the invitation to participate.

While the brokers undoubtedly provide liquidity and transparency, their activity can also serve to disguise shifting patterns of placement power.

Houses can enter deals and lay claim to a share of distribution power within a particular sector, even while their power may in reality be waning or non-existent.

Arguably this allows the excesses of over-competition to endure far longer than they would if a different underwriting system included the open auditing of trading books on the primary bond market.

An indication of how quickly placement power can materialise and evaporate within a sector was shown by last Friday's Ecu100m seven-year issue for Crédit Foncier.

The lead manager was Union Bank of Switzerland, with CSFB and BNP Capital Markets as joint lead-managers. While the mandate was reward for hard work in the Ecu sector by UBS this year, it also acknowledged the reality that Swiss investors now supply the most consistent demand for Ecu-denominated bonds.

The weakness of the Swiss franc and the discrediting of the D-Mark after the withholding tax episode has turned Swiss investors towards what they now see as the best defensive currency. This shift has combined with the established placement power of the Swiss banks to alter the profile of the Ecu sector.

Although it was increased last week, a SNCF 10-year Ecu deal was reported to be proving difficult to distribute.

There was well-informed speculation that the maturity of the Crédit Foncier deal was set at the instruction of the French Treasury, which oversees deals by government agencies. The 10-year deal proposed by Crédit Foncier was apparently altered to a seven-year maturity so that it would not compete directly with the SNCF deal.

While this was acceptable both to the agency and the lead manager, it reflects an important shift within the market for origination and syndication of Ecu deals.

In the Euromarkets as a whole, resistance to change is sporadic, waxing and waning with the latest illusion that profitability can be restored to the Euromarket without withdrawals from the business.

That there will be damaging withdrawals, however, is becoming more likely as the weeks pass and losses mount. At a strategic level, managements can be forgiven for looking at the bottom line and wondering when the buck has to stop.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Showa Aluminium‡♦	150	1994	5	4⅞	100	Nomura Int.	4.875
Nippondenso Co.‡♦	1bn	1993	4	4	100	Nomura Int.	4.000
Toyota Motor Corp.‡♦	1.5bn	1993	4	4	100	Nomura Int.	4.000
Austria, Republic of♦	100	1996	7	9¼	101½	Merrill Lynch	8.952
ASLK-CGER IFICO♦	40	1996	7	10	101⅞	Mitsubishi Fin. Int.	9.620
Interfinance Cr.Nat.(a)♦	30	1990	1	15¼	101	Bankers Trust Int.	14.109
Union Bk of Finland(b)♦	50	1992	8	11¾	101⅜	Goldman Sachs Int.	11.186
Press Kogyo Co.‡	100	1993	4	(4½)	100	Nomura Int.	★
Seika Corp.‡	80	1993	4	(5)	100	Daiwa Europe	★
Eagle(c)‡♦	45	1996	6½	22bp	100.10	Yasuda Trust(Europe)	-
Deutsche Bank Finance♦	200	1999	10	8⅜	101⅝	Deutsche Bk Cap.Mkts	9.120
Electrolux♦	125	1994	5	9½	101⅝	CSFB	9.081
Monte d'Paschi d'Siena♦	100	1994	5	0	65.305	Nomura Int.	8.896
Sapporo Breweries‡	200	1993	4	(4½)	100	Yamaichi Int. (Eur)	★
Mitsubishi Heavy Ind.‡	1.5bn	1993	4	(4⅜)	100	Nikko Secs. (Europe)	★
Mitsukoshi Ltd.‡	400	1993	4	(4⅜)	100	Nomura Int.	★
Alps Electric‡	200	1993	4	(4½)	100	Daiwa Europe	★
State Bank Victoria(k)♥♦	200	undated	-	⅛	100	Merrill Lynch	-
GECC♦	300	1996	7	9⅜	101.70	Kidder Peabody	9.037
Rhone-Poulenc Comm.(l)♦	50	1990	1	16	101⅜	Societe Generale	14.427
Olympus Optical Co.‡	150	1993	4	(4⅜)	100	Yamaichi Int. (Eur)	★
Olympus Optical Co.‡	150	1993	4	(4⅜)	100	Nomura (Singapore)	★
Suzuki Motor Co.‡	300	1993	4	(4⅜)	100	Nikko Secs. (Europe)	★
Daiwa House Ind.‡	800	1993	4	(4⅜)	100	Nomura Int.	★
Finnish Ex. Credit(m)♦	200	1999	10	9½	99.93	Goldman Sachs	9.511
AUSTRALIAN DOLLARS							
Eksportfinans♦	100	1990	1	18	101⅝	Nomura Int.	16.113
D-MARKS							
National Bk of Hungary♦	200	1997	8	8	100	DG Bank	8.000
Eurofima(d)(s)♦	150	1993	4	8⅝	101⅛	Deutsche Bank	8.283
THK Co.★★♦	50	1994	5	7½	101½	IBJ (Germany)	7.133
WestLB Fin. Neth.★★(f)♦	100	1992	3	8¾	100⅛	WestLB	8.701
SWISS FRANCS							
Noritz Group★★‡♦	60	1994	-	1⅛	100	B.della Sviz.Italiana	1.125
Sonton Food Ind.(j)★★§♦	40	1994	-	½	100	Nomura Bank (Switz)	0.500
Hokuriku El.Ind.(i)★★§	150	1994	-	(½)	100	Nomura Bank (Switz)	★
Showa Highpolymer★★‡	90	1994	-	(1½)	100	Citicorp Inv. Bank	★
Magara Construction★★‡	30	1994	-	(1½)	100	Handelsbank NatWest	★
Magara C'struction(n)★★§	30	1994	-	(½)	100	Handelsbank NatWest	★
Tobishima Corp.(q)★★§	500	1993	-	(½)	100	Citicorp Inv. Bank	★
STERLING							
Oest. Kontrollbank♦	100	1992	3	12	100⅞	Warburg Securities	11.638
Coll.Mort.Secs.No.1‡♦	200	1992/96	1½/7.4	(h)	100	Goldman Sachs Int.	-
ECUs							
Nat. Nederlanden US♦	100	1994	5	9	101¾	Bankers Trust Int.	8.555
Volvo Group Finance♦	75	1991	2	9¼	101.45	Sumitomo Fin. Int.	8.432
Fed. Business Dev.Bank♦	100	1994	5	9	101.80	Bqe Paribas Cap.Mkts	8.543
Credit Foncier♦	100	1996	7	9	101⅞	UBS Phillips & Drew	8.632
ECSC(r)♦	41	1997	7½	8	96⅝	SBC	8.614
FRENCH FRANCS							
Barclays Bank Plc♦	600	1996	7	9	101½	BNP Capital Markets	8.705
LIRE							
Unilever NV♦	150bn	1994	5	12¾	101⅜	San Paolo Bank	12.365
GUILDERS							
Bk Foreign Ec.Aff.USSR♦	250	1996	7	8	101½	ABN	7.715
DANISH KRONER							
Commerzbank O'seas Fin.♦	300	1993	4	0	70¾	Privatbanken	9.035
PESETAS							
EIB♦	10bn	1994	5	12.20	100	B. Santander Negocios	12.200
YEN							
Den Danske-Bank(e)♦	5bn	1993	4	7	101⅝	Nippon Credit Int.	6.525
IBJ Finance Co.(g)♦	20bn	2004	15	8¼	102¼	IBJ Int.	7.987
World Bank(s)♦	10bn	1994	5	5¼	100⅜	Norinchukin Int.	5.163
Alitalia★★♦	5bn	1999	10	5.45	100	Salomon Brothers	5.450
Banco di Napoli(o)♦	5bn	1993	4	9	101⅜	Daiwa Europe	7.589
National Home Loans(p)♦	5bn	1994	4⅔	5⅜	101⅞	Yasuda Trust Europe	4.908
Sparekassen SDS(e)♦	3bn	1994	5	7.8	101⅞	IBJ Int.	7.339

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ♥Variable rate notes. ‡Floating rate notes. ♦Final terms. a) Currency-linked. Borrower option to redeem in either DM or US$ at strike price of DM1.80 per $. b) First coupon fixed at 11¾%, subsequent coupons linked through a formula to US sweet crude oil price. Additional $50m on tap. c) 22bp over 6-month Libor, secured by SEK Euro-yen bonds. d) Coupon paid in D-marks. Borrower option to repay principal in either DM or US$ at strike price of DM1.80. e) Redemption linked to Nikkei stock index. f) Borrower option to redeem in either DM or C$ at DM1.52 per C$. g) Dual-currency. Coupon in A$. h) Launched in three tranches of £110m, £65m and £25m with spreads of between 10bp and 20bp. Average life between 1⅛ and 7.4 years. Step-up coupon, if not called, to between 40bp and 50bp. i) Indicated put to yield 2.327%. j) Put to yield 2.157%. k) ⅞ over 3-month Libor. Investor put back of Merrill Lynch. Call after 5 years at 100. l) Borrower option to redeem in DM or US$ at strike price of DM1.90. m) Launched on US domestic market. n) Indicated put to yield 2.34%. o) Currency-linked (investor's option) Yen/US$. Put and call after 3 years. p) Put and call February 1993. q) Indicated put to yield 2.384%. r) Fungible with Ecu100m bond. s) Unlisted. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Market split over future of rates

THE GILT-EDGED securities market is evenly divided over the future course of interest rates, believing they could either stay at 14 per cent or rise to 15 per cent. It is certain, however, that enough, perhaps too much, has been done to cool the domestic economy.

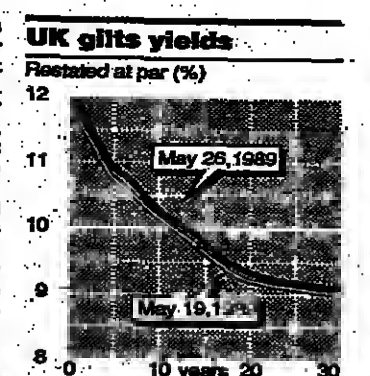
An impromptu survey of 10 participants, consisting of market markers and economists, discloses a clear preference for cash, with the long end of the market coming a distant second. The strategy recommended is decidedly cautious and summed up in the words of Mr Peter Clark, at Kleinwort Benson, who said gilts "remain a market for one night stands, not a lasting relationship."

A minority believes that value at the long end will continue to be underpinned by the Bank of England. Its efforts to defend sterling, which has required intervention in foreign exchange markets, will have to be sterilised and that means a step-up in official purchases at the long end.

It was well telegraphed to the market that the Treasury and the Bank thought 13 per cent interest rates were working in the way they were intended. Most of the market agreed and economic indicators released last week clearly supported that view. The volume of retail sales was down 1.4 per cent in April and since last summer it has barely grown. First-quarter gross domestic prodnct figures,

UK gilts yields

Restated at par (%)



Source: Warburg Securities

which showed a (largely oil induced) fall compared with the fourth quarter of 1988, lent support. Figures for new construction orders in March showed a 9 per cent fall year-on-year.

In an attempt to make a silk purse out of a sow's ear, the official line last week was that the move to 14 per cent has been particularly well targeted. The Treasury and the Bank maintain that the new level of base rates will support the exchange rate but will not feed through to higher mortgage interest rates and hence hit the consumer.

The only house of the 10 surveyed to retain its belief in the soft landing is Warburg Securities. It believes the prospect remains one where growth slows. But the consumer is not destroyed and the pound will not rise high enough to offer the risk of a hard landing.

The market is, however, generally disinclined to believe the authorities when they say the new level of base rates will not affect domestic activity. Goldman Sachs believes the UK is in for "a long dose of stagflation." The outlook is for persistently high inflation, with growth of around 1 per cent for a long period but with some considerable improvement in the balance of payments.

The view of most in the market is that if interest rates are sustained at 14 per cent for much more than a month, then building societies will be forced to move. A rise to 15 per cent, which 5 of the 10 surveyed think will happen within the next three months, will certainly tip the hand of the societies.

To these participants, a move to 15 per cent will be occasioned by sterling, which remains a large problem for the anthorities. The Government appears divided among itself and is losing ground in opinion polls, both of which are unsettling to international investors. This is happening at a time when co-operation among the Group of Seven leading industrialised countries also appears at a low point and is fuelling interest in the dollar.

The next few weeks have therefore assumed the utmost importance to the market. At the time of writing, it seemed as certain as things can be that the Japanese anthorities were going to raise their discount rate 0.75 percentage points to 3.25 per cent — this being a compromise between the needs of the bond market and the equity market. The bond market would have pushed for another half-point rise if the Bank of Japan had moved only by a half, and the equity market, which would have been unsettled by the latter event, was seen to be able to cope with three-quarters of a point.

The focus later this week will switch to Frankfurt, where the Bundesbank council meets on Thursday. Failing another revolt by regional bank governors, it is unlikely that the Bundesbank will raise its discount and Lombard rates. The line from officials in Frankfurt is rates are moved only in response to domestic conditions and that no new data has emerged to make a rise necessary. Moreover, the rise in the price level currently being reported reflects the past and appropriate action has been taken.

Where the combination of the Japanese rise in rates and the German reluctance to do the same leaves the dollar and sterling is anyone's guess. It seems unlikely to undermine the dollar bnt sterling could find support on the crosses in the absence of Bundesbank action on rates.

Simon Holberton

US MONEY AND CREDIT

Investors cling to careering dollar

THE CREDIT markets have become quite single-minded. For the past three weeks, lenders and bond investors have ignored signals about the state of the US economy. They have simply hung on for dear life to a careering dollar exchange rate.

Last week brought more of this. News of strong personal income and spending in April, robust durable goods orders and an ambiguous first-quarter figure for gross national prodnct flashed by the markets almost withont registering. The sharp 1.1 per cent rise in personal spending on Friday did set bond prices back but this was quickly made good when the dollar continned upwards.

By the end of last week, the Treasury long bond was up by a full point, with its yield falling to 8.61 per cent. With this drop in yield, the long bond has decisively broken out of the range of 8.75 per cent to 9.50 per cent, which has been the price of 30-year money for a year. Merrill Lynch, among others, is badgering small investors to take these yields with the promise and threat they will fall further.

Yesterday, neither the foreign exchange nor the bond market traded in New York because of the Memorial Day holiday. Overseas, the dollar was very strong and it is hard to see what is going to cool the speculative fever behind the rush into US financial investments.

On Friday, dollar bulls effortlessly frustrated two rounds of dollar sales by central banks. Higher interest rates abroad did nothing to stem the appeal of dollar investments. Base lending rates rose to 14 per cent in the UK and there was a piece of interest rate tinkering by the Swiss central bank which had the effect of raising Switzerland's Lombard rate.

The markets are also ready for rate increases in Japan and West Germany. For weeks there has been talk of s rise in the Japanese discount rate: the current guess is for a three-qnarter point rise as early as this week. As for West Germany, which has pushed up interest rates twice already this year, the market seems to be thinking of some kind of Swiss-style move.

For the bond market, the dollar's rise brings not only the usual advantages of falling import prices and increased foreign interest. The sudden upturn in the exchange rate after three years of stagnation or decline may have some crude but salutary economic effects.

There are parts of manufacturing industry — most notoriously steel, chemicals and paper — which have enjoyed de facto import protection through dollar devaluation and are running their machines at full capacity. The move in the dollar will now make it hard for them to raise prices with the freedom they have enjoyed for two years. And that will help limit inflationary pressure further down the production process.

Salomon Brothers gives this example from the paper industry. US paper pulp sells for $840 a ton, up a handsome 14 per cent over the past year. But the 17 per cent rise in the dollar against the D-Mark has handed Scandinavian prodncers a $75 a ton price advantage and the US producers will have to give up something, whether price, profits or market share. This month's equity market, which has been oddly choosy for such a strong performer, wants nothing to do with last season's stars such as Bethlehem Steel, Union Carbide and International Paper.

Instead, a period of lower interest rates could stimulate depressed areas of the economy where growth is unlikely to be inflationary. The fall in interest rates, for example, might help residential construction in some markets of the north-east and Texas, where inflationary expectations are, to say the least, low.

What is particularly striking about the bond market rally is that fixed-income markets seem no longer bothered by the imbalance in US trade. After all, it was the decline in the dollar exchsnge rate which was going to help the US export its way to repatriating surplus dollars overseas. Admittedly, the merchandise trade deficit for March was $8.9bn and a lot of people seem ready to say that the April figure, which will be published halfway through June, will sbow another decline. It is possible, too, that the rise in the dollar will temporarily flatter the trade statistics through a J-curve effect, reducing import prices as expressed in dollars.

But the equity market, for one, is far from sure that US manufacturers can adjust to an appreciating currency with the skill of Japanese industry. And it may well be that the bond market has decided that the dollar's rise will "hollow out" more of US industry with the attendant disinflationary effects of factory closures and job losses. It is not impossible that the dollar's rise actually signals the recession.

It is thoughts of this sort that have had the credit markets bubbling over with anticipation of a cut in Federal Reserve interest rates. With one-year and two-year Treasury notes yielding almost a percentage point less than overnight Federal funds, there was mncb speculation last week that the Fed would ease.

But though the Fed sold dollars heavily in the foreign exchanges, it drained reserves from the banking system all week to keep Fed funds at the 9¾ per cent level they reached in February.

Although tbe bond market seems to think inflation is beaten, the Fed evidently does not.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.00	9.63	9.87	10.00	6.27
Three-month Treasury bills	9.01	8.63	8.93	9.11	5.60
Six-month Treasury bills	8.90	8.85	9.09	9.30	5.74
Three-month prime CDs	9.55	9.55	9.95	10.12	6.77
30-day Commercial Paper	9.50	9.45	9.70	9.81	6.65
90-day Commercial Paper	9.30	9.33	9.70	9.82	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	103⅛	+⅛	8.68	8.72	9.20
20-year Treasury	106⅞	+⅛	8.65	8.73	9.08
30-year Treasury	102⅝	+1	8.61	8.70	8.98

Source: Salomon Bros (estimates).

Money supply: In the week ended May 15, 7 M1 rose by $0.1bn to $773.1bn.

NRI TOKYO BOND INDEX

December 1983 = 100	25/5/89	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	147.99	5.13	148.14	147.73	147.73
Government Bonds	148.24	4.92	148.41	147.80	149.17
Municipal Bonds	149.80	5.34	149.96	150.14	149.14
Govt.-guaranteed Bonds	150.85	5.39	150.98	151.29	150.22
Bank Debentures	141.63	5.16	141.87	141.50	140.73
Corporate Bonds	150.25	5.46	150.26	148.95	146.52
Yen-denom. Foreign Bonds	154.94	6.06	154.10	153.84	149.52
Government 10-year†	5.07		5.06	4.96	4.82

† Estimated par yield

Source: Nomura Research Institute

Chase boosts credit cards

By Janet Bush in New York

CHASE Manhattan added significantly to its credit card business by purchasing a $1.1bn portfolio of Visa and Mastercard accounts from Independence One Bank of South Dakota, the largest deal of its kind.

The purchase of the Independence One portfolio by the Delaware subsidiary of Chase increases the bank's credit card base to more than 7m accounts. Chase is already ranked second in total consumer unsecured revolving credit and will have outstandings of more than $8bn.

Mr Thomas Conway Lynch, an executive vice president, said: "This is the largest credit card acquisition on record and it underscores Chase's commitment to invest in businesses that have superior core-earnings power."

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS

	Issued	Bid price	Chg on week	Yield
AHFC D/S FIN. 11¼ 94	100	102½	+1¼	11.04
ALBERTA PROVINCE 7⅞ 91	750	95⅛	0	9.57
ALBERTA PROVINCE 9⅜ 95	400	100⅜	+¼	9.32
ALCOA AUSTRALIA 11 92	80	100⅜	0	10.74
AMERICAN GENERAL 9⅝ 95	100	100⅞	+⅛	9.54
AUSTRALIA 11¼ 90	100	101⅛	0	9.95
AUSTRALIA 11¼ 00	100	107⅝	+⅛	10.14
AUSTRIA 7⅜ 97	200	91⅞	+⅛	9.30
[illegible]				

YEN STRAIGHTS

	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6⅛ 93	20.0BN	103	−⅛	5.79
AUSTRIA 4⅞ 94	30.0BN	97⅞	−⅛	5.29
AVON CAPITAL 6⅛ 91	26.0BN	100	0	6.73
BARCLAYS O/S INV 6 96	40.0BN	103¼	−⅛	5.44
B.F.C.E. 5⅛ 96	20.0BN	100⅜	−⅛	5.31
CANADIAN PACIFIC 6⅛ 96	10.0BN	105¼	−⅛	5.76
[illegible]				

Further sections (Other Straights, D-Mark Straights, Swiss Franc Straights, Canadian Dollar Straights, Ecu Straights, Australian Dollar Straights, Sterling Straights, Floating Rate Notes, Convertibles, Equity Warrants): [illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MAY 27

Liquidators appointed at listed Australian broker

By Chris Sherwell in Sydney

THE TROUBLES of Australia's broking industry were exposed yesterday when provisional liquidators were appointed at Jackson's, the listed Sydney firm.

Shares in the firm, one of two listed brokers, were suspended, and its futures operation stopped business. MBf, the Malaysian finance house which is a key shareholder with a stake of about 15 per cent, said it would make the necessary provisions.

Jackson's demise follows a number of recent setbacks. Earlier this month it said it would cut overheads by closing its offices in Melbourne and Perth. That retrenchment followed the sacking of about 20 staff at the end of March, and earlier redundancies last year.

The firm reported a A$6.8m (US$5.19m) loss for the six months to December, and a loss of more than A$7m in the year to June 1988. When it listed at the height of the boom in July 1987, it was the first of Australia's brokers to go public. McIntosh Securities has since listed as well.

It is widely known that most Australian brokers have suffered financially from the low turnovers and competitive commission rates which have prevailed since the October 1987 crash.

Recent results from banking parents have confirmed the trend. So has more direct evidence, such as last month's decision to cease trading by Randall Cran & Green, the small Melbourne broker, and a general stream of redundancies.

Some broking firms, to strengthen their positions, have sold significant stakes to outsiders. Bain & Co found Deutsche Bank of West Germany as a partner, and McNab Clarke was bought by First Boston of the US. The largest independent broker remaining is J.B. Were.

Continental to buy stake in Swedish tyre maker

By Andrew Fisher in Frankfurt

CONTINENTAL, the West German tyre company, is planning a further expansion in its international activities through the purchase of a majority stake in Nivis Tyre of Sweden, a move which will roughly double its share of the Scandinavian market.

Nivis, part of the KF Industri group, an industrial conglomerate which is controlled by the Swedish trade union movement, last year had a turnover of SKr1.33bn ($198m). Like the German company, it has roughly 10 per cent of the Scandinavian market and numbers Swedish producers Volvo and Saab among its customers as well as exporting tyres to other European countries.

The German company declined to say what price it intended to pay for Nivis, with which it has had a technical agreement since 1957. This dates from the time when Uniroyal, the European subsidiary which was bought by Continental in 1979, was moving into radial tyres.

By purchasing General Tire of the US for $643m in late 1987, Continental moved up from seventh to fourth place in the world tyre manufacturing league.

The inclusion of earnings from General Tire for the first time was mainly responsible for last year's 40 per cent jump in Continental's earnings to DM195m ($105m).

As well as producing tyres under the Gislaved and Viking brands in Sweden and Norway respectively, Nivis, which employs 1,700 people, also has a chain of dealerships in Norway. The German company intends to keep the individual tyre brands, adding them to its existing Continental, Uniroyal and Semperit brands in Europe.

Continental said it hoped to reach a final agreement on the purchase of Nivis this summer. The deal will mark a further step in the concentration of the world's tyre business into fewer companies, with Continental keen that Nivis does not fall into the hands of a rival producer.

France increases bond dealers

By George Graham in Paris

THE FRENCH Government has named three more reporting dealers for its Treasury bond market, opening the way for the first time to Japanese and British securities houses.

Bacot-Allain, the French stockbroking subsidiary of the UK's S.G. Warburg, Nomura, the largest Japanese securities group, and Compagnie Parisienne de Réescompte, a French discount house, have all been named "correspondents en valeurs du Trésor," joining two other banks in the same position and 12 full primary dealers, or "spécialistes en valeurs du Trésor."

The enlargement of the circle of Treasury bond dealers has prompted grumbles from some of the banks already implanted in the market. Since the Government selected the first primary dealers in December 1986, only one firm has dropped out of the market, but several others have scaled back their level of activity.

"It is clear that once you go above a certain number of dealers, it becomes very difficult to make a profit, and we had already reached that number," said the head of bond dealing at one French bank yesterday, adding that he feared Nomura might follow a policy of aggressively seeking market share.

The French Finance Ministry will be carrying out a review of the existing primary dealers early next year, and it is thought possible that at this stage some might be demoted or replaced by the reporting dealers.

All authorised dealers are under the obligation to make permanent markets across the range of Treasury bonds and bills, but full primary dealers receive in return the right to make non-competitive bids at the regular monthly bond auctions. Reporting dealers merely gain access to the two inter-dealer brokers in Paris.

Warburg and Nomura are not the first foreign groups to be admitted to the circle of French Government bond dealers: J.P. Morgan was one of the original primary dealers.

Irish futures exchange launched

By Kieran Cooke in Dublin

MR Charles Haughey, the Irish Prime Minister, yesterday launched the Irish Futures and Options Exchange (Ifox), the first exchange to be created in Ireland since the formation of the Dublin Stock Exchange in 1799.

A total of 24 financial institutions have subscribed I£1.5m ($1.9m) to set up Ifox, which will initially trade financial futures and options linked to Irish pound gilts, interest rates and Irish pound/dollar exchange rates.

Its promoters say that Ifox will eventually list futures contracts linked to Irish equities and options contracts on gilts, currencies, equities and interest rates.

Ifox is a computer-based automated market with members trading via personal computers in their own offices, with links to a central exchange computer.

Mr Diarmuid Bradley, Ifox managing director, said that the exchange would enhance significantly investment opportunities for Irish financial institutions.

Among Ifox members are Ireland's two main commercial banks, Allied Irish Bank and Bank of Ireland, plus Citibank, Banque Nationale de Paris and Algemene Bank Nederland. Most of Dublin's leading stockbroking firms are also Ifox members.

Initially Ifox will trade only between 10.30am and 3.30pm.

Unrest in China scuppers Hopewell's rights issue

By John Elliott in Hong Kong

THE UNREST in China led to the abandonment yesterday of one of Hong Kong's biggest fundraising exercises when underwriters withdrew from a HK$3.86bn (US$501m) one-for-one rights issue launched seven weeks ago by Hopewell Holdings, a prominent property and construction group.

This was a blow for Mr Gordon Wu, a flamboyant entrepreneur who controls the company and has built up extensive construction interests in southern China. Analysts regarded the decision as inevitable because of the erratic state of Hong Kong's stock market.

Yesterday the local Hang Seng Index recovered by 79.34 points to close at 2,845.01, after losing 379.96 points in volatile trading last week. It is still vulnerable to the political uncertainty in China.

Hopewell's shares were suspended on the Hong Kong exchange yesterday. They were last traded at HK$2.47, compared with an offer price on the issue of HK$2.60.

Mr Wu planned to use most of the funds to finance two projects — a 91-storey hotel in Hong Kong's Wanchai district and a six-lane highway linking Hong Kong with Guangzhou, the capital of China's Guangdong province and the special economic zone of Zhuhai, adjacent to the Portuguese enclave of Macao.

Hopewell said yesterday it would seek alternative methods of financing the projects, both of which are already under way. Hopewell has had problems with Guangdong authorities on the construction of the highway and is believed to have been given direct backing from Peking.

A group of underwriters decided yesterday to terminate their underwriting agreement on the issue because, they said, there had been significant changes in market conditions since April 12 when they signed up. Led by James Capel Far East and Wardley Corporate Finance, they were involved in just over HK$1bn.

Mr Li Kashing's Cheung Kong Holdings was underwriting 13 per cent of the 1,486m new shares on offer and Mr Wu, along with his family and fellow directors, was taking up another 60 per cent.

Gencor plans to raise R1.5bn

By Jim Jones in Johannesburg

GENCOR, South Africa's second largest mining house, is to raise R1.5bn (US$555m) in new equity capital in anticipation of several new mining and energy projects. The 20-for-100 rights issue will be the largest seen by the Johannesburg Stock Exchange and analysts believe it could be followed by other issues by Gencor's own subsidiaries and affiliates.

In April Gencor acquired Mobil's refinery and petrol station chain for R600m when the US oil company divested. Mr Derek Keys, Gencor's chairman, says the Mobil purchase has already been financed and that the present rights issue is in anticipation of several new developments.

Gencor has been particularly active in the energy field and has the right to buy a 30 per cent interest in the state-owned Mossgas off-shore gas venture in 1991. The group is also planning a synfuels development based on torbanite oil shales to start during the next couple of years at an expected cost of about R1bn.

Several of the group's subsidiaries are planning new developments and Gencor itself will need to follow their rights issues.

Samancor is planning to build a stainless steel plant as a joint venture with Highveld Steel & Vanadium; Impala Platinum is developing its new Karee mine; and the Oryx gold mine in the Orange Free State is expected to need additional development capital soon.

The JSE has not been favoured as a source of capital since the crash of 1987, even though industrial share prices have recovered and are at record levels. Most large industrial companies have strong balance sheets and cash flows and prefer to finance new developments with internally generated cash, although financial institutions are flush with cash and eager to invest in new issues by blue-chip firms.

Sanlam, the insurance company, is expected to pay about R450m to follow its rights in the Gencor issue.

Japanese bearing makers surge ahead

By Ian Rodger in Tokyo

JAPAN'S three top bearing manufacturers have reported strong profit growth in the year to March 31 1989, thanks to booming demand from automotive, machine tool and other machinery makers. However, the three have widely differing expectations for the current year.

● Pre-tax profits of NTN Toyo Bearing, the second-largest group, rose 48 per cent to Y12.2bn ($86.2m) on sales up 10 per cent to Y225.7bn. The company expects its profits to decline to Y8bn this year.

● Nippon Seiko, the largest bearing maker, said its pre-tax profits had jumped 37 per cent to Y15.7bn on sales of Y275.8bn, up only 3 per cent. The company is looking forward to a further 21 per cent rise in its pre-tax profit in the current year to Y19bn.

● Koyo Seiko said pre-tax profits reached Y8.5bn, up 37 per cent from the previous year. Sales rose 12 per cent to Y205bn. The company expects pre-tax profits to rise 7 per cent this year to Y9.2bn.

Nissan continues strong recovery

By Stefan Wagstyl in Tokyo

NISSAN, the Japanese car maker which has staged a strong recovery after a collapse in profits three years ago, yesterday posted a 121 per cent increase in consolidated annual pre-tax profits to Y200.8bn ($1.4bn).

Strong sales at home of both cars and trucks as well as cost-cutting, plus a great improvement in the profitability of overseas manufacturing operations contributed to the overall gain.

Sales in the year to the end of March rose 18.4 per cent to Y4,812bn. Nissan said this was largely due to success in the home market where it raised market share in automobiles to nearly 25 per cent. It forecast a further 1 percentage point increase in the current year.

Operating profits almost doubled to Y171.3bn due to cost-cutting at home and abroad and the impact of increasing production at recently established overseas plants. Nissan said that profits in the US and Mexico rose greatly.

Losses at the British plant fell and Nissan said the factory may make a profit this year.

The increase in the contribution from overseas manufacturing operations is highlighted by the fact that in 1988 consolidated operating profits were at Y47.6bn, little higher than parent company operating profits of Y43.6bn. For the year just ended, consolidated operating profits of Y171bn compared with Y92bn for the parent company. Profits from overseas were expected to continue to grow in the current year.

On a consolidated basis, net income was Y114.6bn, up 77.7 per cent, giving earnings of Y46.27 per share. The parent company registered a 4.7 per cent increase in sales of Y3,580bn, and a 12.9 per cent increase in pre-tax profits to Y154.8bn. Net income was Y63.6bn, or 65 per cent up. The dividend was unchanged at Y14.

For the current year, Nissan forecasts further increases in parent company sales and pre-tax profits to Y3,800bn and Y170bn.

DIARY DATES

FINANCIAL

YESTERDAY
DIVIDEND AND INTEREST PAYMENTS-
Amdahl 2.5cts
Kerry 1.21p

TODAY
COMPANY MEETINGS-
Lincoln House, Venture Crescent, Motorlink Industrial Estate, Alferton, Derby, 10.30
North Sea & General, Holiday Inn, 134, George Street, W., 11.00
Telemetrix, Founders Hall, 1, Cloth Fair, E.C., 12.00
BOARD MEETINGS-
Finals:
Cook (William)
Goldberg (A)
Optometrics
Rotte & Nolan Computer
Interims:
Bank of Nova Scotia
Sedgwick
DIVIDEND AND INTEREST PAYMENTS-
Artey 2.2p
Astra AB SK2.5
Do. "B" SK2.5
Bank of Montreal 53cts
Bank of Tokyo £1690.67
Bredero Props. 4p
Cadbury Schweppes 6.8p
Enterprise Oil 8.5p
Guinness 8p
Hampden Homecare 1.5p
ISA Intl. 0.95p
Lancat 1.5p
More O'Ferrall 7.6p
Mowlem (John) 11½pc Bds 2013 5¾pc.
O.K. Bazaars 8pc Pf Scts.
Quotient 2p
Relyon 4.15p
Robert Fleming Netherlands FRN's $495.69
Rockwood 0.45p
Savoy Hotel "A" 6.5p
Do. "B" 3.25p
Slough Estates 6.8p
S'hampton, IOW & SOE Steam Pkt. 5pc Pf 1.75p
TSB Var Rate Sub Nts. 2003 £340.27

TOMORROW
COMPANY MEETINGS-
Fosseco, Savoy, The Strand, W.C., 12.00
Helene, Ramada Hotel, Bernes Street, W., 12.00
Juliana's, Raffles Nightclub, 287, Kings Road, S.W., 11.00
Proudfoot (Alexander), 9, Devonshire Square, E.C., 12.00
Prudential, Plaisterers Hall, 1, London Wall, E.C., 11.30
Queens Moat Houses, Moat House Intl., Kings Road, Harrogate, North Yorkshire, 2.30
Simon Eng., Holiday Inn Crowne Plaza Midland Hotel, 16, Peter Street, Manchester, 12.00
BOARD MEETINGS-
Finals:
Channel Tunnel Inv.
Dunhill
Elswick
Ralston Inv. Tst.
Slebe
Interims:
Global
Omnitech
Stratagem
TSB Channel Islands
United Scientific
DIVIDEND AND INTEREST PAYMENTS-
AB Electronic 4p
Adscene Group 7¾% Cnv. Red. Prf. 3.875p
Allied-Lyons 5½% Prf. 1.925p
Do. 7½% Prf. 2.625p
Armitage Bros 7½% 1st Mtg. Deb. 85/90 3.75pc.
Automated Security Hldgs. 1.74p
Do. 6% Cnv. Red. Prf. 3p
8% Cnv. Uns. Ln. 90/95 4pc.
BBA Group 6¾% Red. Cnv. Prf. 3.375p
BLP Group 2.36p
Bank of Communications Fltg. Rate Nts. 1993 $492.92
Bank of Scotland (Gov. & Co. of) 9¼% Irrd. Prf. 4.305p
Bankers Inv. Tst. 0.55p
Do. 3½% Prf. 1.75p
Barlows 1.5p
Billingsgate City Securities Pfd. 2.6852p
Bridport-Gundry 1.9p
Bristol (City of) 11½% Red. 2008 5.75pc.
Britannia Arrow Hldgs. 5¾% Prf. 2.3625p
British Alcan Aluminium 10⅜% Deb. 2011 5.1875pc.
British Mohair Hldgs. 6.8p
Bryant Group 2.8p
Canning (W.) 7½% Uns. Ln. 88/93 3.75pc.
Capital & Counties 1st Mtg. Deb. 95/2000 3.4375pc.
Carbo 3.6p
Cater Allen Gilt Inc. Fd. Ptg. Red. Prf. 30p
Chase Manhattan Corp. Fltg. Rate Sub. Nts. 1997 $253.54
Citygrove 7¾% Cnv. Red. Prf. 3.875p
Clinton Cards 2.53p
Continental & Indl. Tst. 5½% Pfd. 1.925p
Co-Operative Bank 8.49% Red. Prf. 2013 4.24p
Green (James) 10% Red. Cnv. Uns. Ln. 1995 5pc.
Cropper (James) 8% Uns. Ln. 94/99 4.0pc.
Dean & Bowes Group 3p
Densitron Intl. 1.65p
Dunlop Plantations 6% Prf. 2.1p
Electric & Gen. Inv. Co. 10¾% Deb. 2011 5.375pc.
Estates & Gen. Invs. 2.3p
Expedier Leisure 7¾% Cnv. Red. Prf. 3.875p
Frith Throgmorton 7¼% Cnv. Uns. Ln. 2003 3.625pc.
First Chicago Overseas Finance Gtd. Fltg. Rate Sub. Nts. 1994 $263.54
Forward Technology Inds. 1.2p
Fundinvest 4.40p
GKN 10.75p
Gestetner Hldgs. 10% Cnv. Uns. Ln. 90/95 5pc.
Glasgow Inc. Tst. 0.5p
Goodhead Group 7% Cnv. Red. Prf. 3.5p
Great American First Savings Bank 15cts.
Greene King & Sons 6¼% Uns. Ln. 88/93 3.125pc.
Hill Samuel Group Perp. Fltg. Rate Nts. $492.92
Imperial Chemical Inds. 7¾% Uns. Ln. 86/91 3.875pc.
Inch Kenneth Kajang Rubber 4.5p
Irish Ropes 4.29p
Johnson, Matthey 6½% Mtg. Deb. 85/90 3.25pc.
Jove Inv. Tst. 3.84p
Kleinwort Benson Gilt Fd. Ptg. Red. Prf. 32.42p
Kleinwort, Benson, Lonsdale Prim. Cap. Und. Fltg. Rate Nts. $499.24
Do. Prim. Cap. Und. Fltg. Rate Cap. Nts. Ser. 2 $499.24
Korea Exchange Bank Fltg. Rate Nts. 1994 £172.5
Leisure Invs. 7% Cnv. Red. Prf. 88/93 3.5p
Investments NV Gtd. Fltg. Rate Nts. Nov. 1989 $49.86
Lloyds Bank Prim. Cap. Und. Fltg. Rate Nts. Ser. 2 $251.94
London & European Group 10½% Uns. Ln. 1993 5.25pc.
Malaysia Mining Corp. Berhad 3cts.
Mayborn Group 2.8p
Metsec 1.96p
Meadoo Fd. 10.77cts.
Microfilm Reprographics 1.7p
Midland Bank 14% Sub. Uns. Ln. 2002/07 7pc.
Minstergate 10% Prf. 5p
NCR 4% Gtd. Ln. 93/98 2pc.
Do. 8½% Gtd. Ln. 93/98 4.25pc.
National Westminster Bank Prim. Cap. Fltg. Rate Nts. Ser. C $260.35
Nestor-BNA 1.7p
Nippon Telegraph & Telephone Corp. 9½% Nts. 1995 4.75pc.
Northern Foods 7¼% Deb. 85/90 3.625pc.
Nurdin & Peacock 9% 1/Gldr Cnv. Uns. Ln. 87/92 4.5pc.
Ogilvy Group 23cts.
Oesterreichische Landerbank AG Fltg. Rate Sub. Nts. 1994 $246.45
P-E Intl. 3.1p
Page (Michael) Group 1p
Paterson Zochonis 7½% Prf. 3.75p
Do. 10% Prf. 5p
Peel Hldgs. 5¼% Cnv. NV Prf. 2.625p
Propeller 0.6p
Prudential Corp. 5.3p
Queens Moat Houses 1.22p
Record Hldgs. 2.34p
Rockware Group 1.25p
Rosehaugh Greycoat Estates 11% 1st Mtg. Deb. 2014 5.5pc.
Rotork 4p
Royal Bank of Canada Fltg. Rate Debs. 2005 $91.87
Royal Bank of Scotland Group 5½% Prf. 1.925p
Do. 11% Prf. 3.85p
SD-Scicon 0.475p
Sainsbury (J.) 6½% 1st Mtg. Deb. 88/93 3.25pc.
St. Modwen Props. 8½% 2nd Prf. 4.25p
Save & Prosper Return of Assets Inv. 6.3-13.3% Ltd. Ptg. Pfd. 4.65p
Scandinavian Bank Group Cap. Currency Units 5.65p
Scantronic Hldgs. Cnv. Red. Prf. 4.848p
Scottish Cities Inv. Tst. 7p
Do. A NV 7p
Sidlaw Group Cnv. Red. Prf. 1.70315p
Standard Bank Imp. & Exp. Fin. Co. Gtd. Fltg. Rate Nts. 1992 £171.71
Stoddard Sekers Ind. 4% Prf. 2p
Svenska Intl. Sub. Fltg. Rate Nts. $486.6
T.I.P. Europe 1.6p
TR City of London Tst. Dfd. 0.77p
TR Porfolio Selection Fd. Ptg. Red. Prf. 39p
TR Trustees Corp. 10½% Deb. 2016 5.25pc.
T.T. Finance 11.3125% Deb. 2018 5.65625pc.
TT Group 4p
Tate & Lyle 7¼% Cnv. Red. Prf. 3.625p
Throgmorton Tst. 12.3125pc. Deb. 2010 6.15625pc.
Tomkins 9¼% Cnv. Uns. Ln. 1994 4.625pc.
Unisys 8% Deb. 87/92 4pc.
Video Tape Recording 1p
Wade Potteries 10% Prf. 5p
Wells Fargo & Do. Fltg. Rate Sub. Nts. 1992 $92.01
Do. Fltg. Rate Sub. Nts. 2000 $92.24
Wembley 1p
Wilkes (James) 4.25p

THURSDAY JUNE 1
COMPANY MEETINGS-
African Lakes, 24, Gilbert Street, W., 11.30
Asda Prop., Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 12.00
Coats Viyella, Albany Hotel, Bothwell Street, Glasgow, 2.30
Landu, Tubs Hill House, London Road, Sevenoaks, Kent, 11.30
Mowlem (John), Inter-Continental Hotel, One Hamilton Place, W., 12.00
Parkdale, 38, Jermyn Street, S.W., 10.30
RTZ, Grosvenor House, Park Lane, W., 2.30
Travis Perkins, Lord's Banqueting & Conference Centre, St. Johns Wood Road, N.W., 12.00
BOARD MEETINGS-
Finals:
Anglo American Corp of S.A.
Anglo Leasing
British Telecom
Calyns
Imry Merchant Developers
Plysu
Storehouse
Interims:
MEPC
M & G
Westland
DIVIDEND AND INTEREST PAYMENTS
AMAX Inc. 10cts.
Accord Publications 2.6p
Agricultural Mortgage Corp. 4½% Deb. 81/91 2.25pc.
Ahmanson (H. F.) & Do. 22cts.
American Brands 61cts.
American General Corp. 37.5cts.
Ayshire Metal Products 7p
BA7 Inds. Fltg. Rate Cap. Nts. 86/90 6.326pc.
Blackwood Hodge 0.9p
Braithwaite 3.5p
CNA Gallo 5% Prf. 5cts.
Cater Allen Hldgs. 4.2% 2nd Prf. 2.1p
Do. 5% Prf. 1.75p
Dares Estates 10¼% 1st Mtg. Deb. 2012 5.125pc.
Do. New 10¼% 1st Mtg. Deb. 2012 2.218pc.
Delta 7.8p
Era Group 1.75p
Fleming Mercantile Inv. Tst. 4¼% Perp. Deb. 2.125pc.
Ford Motor Co. (1/20th Sh. Nat West Bank) 3.75cts.
Foreign & Colonial Inv. Tst. 4¼% Perp. Deb. 2.125pc.
Do. 7¼% Deb. 89/94 3.625pc.
Foxboro Co. 10cts.
General Cons. Inv. Tst. 4¼% A Prf. 1.4875p
Genfinance NV 11.49% Ln. 2007 (Reg.) 5.745pc.
Do. 11.49% Ln. 2007 (Br.) 5.745pc.
Goodman Fielder Wattie 5cts.
Govett Atlantic Inv. Tst. 4½% Prf. 1.575p
Do. 5% Prf. 1.75p
Do. 5½% Prf. 1.925p
Govett Oriental Inv. Tst. 5% Prf. 1.75p
Great Portland Estates 9½% Cnv. Uns. Ln. 2002 4.75pc.
Halstead (James) Group 3.75p
Hambros Inv. Tst. 3½% Prf. 1.225p
Harris (Philip) Hldgs. 7½% Prf. 2.625p
Do. 8% B Prf. 2.8p
Illingworth Morris (Saltaire) 7% Prf. 1.225p
Inco 20cts.
Ingersoll-Rand 30cts.
Intl. Inc. Property Inc. 27cts.
Intl. Stock Exchange of UK & Rep. of Ireland 7¼% Mtg. Deb. 90/95 3.625pc.
Jones (A.) & Sons 6½% Prf. 2.275p
Kirklees Metropolitan Council 11.6% Red. 2031 5.8pc.
Klark-Teknik 0.5p
Kleinwort Charter Inv. Tst. 4% Prf. 2pc.
Law Debenture Corp. 4½% Deb. Perp. 2.25pc.
Legal & General Group 8.1p
Lewis (John) Partnership 5% Prf. 1.75p
Do. 7½% Prf. 2.625p
Liberty 10p
Do. NV 10p
Lilleshall 2.5p
Lister & Co. 5% Prf. 1.75p
Do. 4% Deb. Red. 2pc.
Lombard North Central 6% 1st Prf. 2.1p
Do. 5% 2nd Prf. 1.75p
London County 3% Cons. 1920 1.5pc.
Do. 2½% Cons. 1920 1.25pc.
M & G Intl. Inc. Fd. 1.08p
Miller (Stanley) Hldgs. 3.25p
Monks Inv. Tst. 11% Deb. 2012 5.5pc.
Monsanto 5% Gtd. Ln. 92/97 2.5pc.
Do. 6¼% Gtd. Ln. 92/97 3.125pc.
Murray Smaller Markets Tst. 4.1% Prf. 2.05p
Oakwood 4p
Ocean Transport & Trading 8p
Ontario & Quebec Railway 5pc Deb 2½pc
Do. 5pc Cap 3pc
RPH 4pc Pf 1.4p
Do. 8pc Pf 2.8p
Reed Intl. 4½pc Pf 1.575p
Do. 5½pc Pf 1.925p
Roskel 3p
Save & Prosper Return of Assets Inv Tst 14.7p
Schroder Global Tst 6pc Deb 1984/89 3pc
Scottish Agric Sec 7¼pc Deb 1990/92 3¼pc
Senior Engineering 1.8p
S'hampton Harbour Board 6¾pc 1986/90 3⅜pc
Stat-Plus 2.25p
TR Australia Inv. Tst. 2p
TR Trustees 4½pc Pf 1.575p
USLIFE 35cts
Union Carbide 25cts
Vivat 2.45p
Watney, Mann & Trueman 4¼pc Deb 1988/93
Do. 6½pc Deb 1987/90 3¼pc
Whitbread 6¼pc Deb 1987/92 3¼pc
Do. 6½pc Deb 1986/91 3¼pc
Wright (John) (Weaving) 4½pc Pf 1.575p
Youngs & Co's Brewery 6½pc Deb 1984/89 3¼pc

FRIDAY JUNE 2
COMPANY MEETINGS-
Copymore, 8, Giltspur Street, E.C., 10.00
Gears Gross, 110, St. Martins Lane, W.C., 12.00
Scottish TV, Cowcaddens, Glasgow, 12.00
Triplevest, 8, Devonshire Square, 12.00
Wills, 59-67, Gresham Street, E.C., 11.00
BOARD MEETINGS-
Finals:
Edoro
Henderson Admin.
Portsmouth & Sunderland News
Interims:
Dwyer
Persborp
DIVIDEND AND INTEREST PAYMENTS-
AGA Aktiebolag "B" SK6.5
African Lakes 3p
B.A.T. Inds. 12½pc Ln 2003/08 6¼pc
B.S.R. Intl. 2.3p
Bridon 5p
Clondalkin 2.128p
Copyscore 1.7p
Exportfinans 12½pc Nts 1995 $[illegible]
Enterprise Oil 10½pc Ln 2013 5¼pc
European Assets Tst Reg Fl.0.08
Do. Br Fl.0.08
Keep Tst 20p
Lawson Mardon Class A 10cts
Low (Wm) 2.1p
McKechnie 5p
Metalrax 2.8p
N.M.W. Computers 0.25p
North Sea & General 0.5p
Oxoory Estates 0.3p
Parmigon 0.35p
Quadro 3p
Shandwick 2.87p
State Electricity Comm of Victoria 12¼pc Nts 1995 6¼pc
Steetly 7.5p
Thorpe (F.W.) 1.65p

SATURDAY JUNE 3
DIVIDEND AND INTEREST PAYMENTS-
Spirax-Sarco 3.3p
Toye & Co 7p

Trade Fairs and Exhibitions: UK

June 6-8
Enterprise and the North West - Opportunities for Action Conference and Exhibition, (01-642 7688)
G-MEX Centre, Manchester

June 6-9
Screen Print and Screen Print Wear '89 (01-340 3291)
NEC, Birmingham

June 8-15
Fine Art and Antiques Fair (01-385 1200)
Olympia

June 11-14
Business to Business Exhibition (01-729 0677)
Business Design Centre, London

June 12-15
INTERKNIT/INTERWEAVE Exhibition (0533 544017)
NEC, Birmingham

June 14-16
Electrical Products Exhibition (01-385 1200)
Olympia

June 21-23
Personal Investment Marketing Show (01-948 5166)
NEC, Birmingham

June 30-July 2
Select Investment Show (06333 76626)
Southampton

July 3-6
Royal Show (0203 696969)
Kenilworth

July 4-6
Fluid Power and Transmission Exhibition - FLUIDTRANS (0923 226210)
Olympia

July 11-13
International Advanced Material & Process Engineering Exhibition and Conference (04868 21231)
NEC, Birmingham

Overseas Exhibitions

Current
International State Fair (01-734 4791) (until June 4)
Nicosia

June 5-18
International Air Show (01-225 5566)
Paris

June 19-23
International Wine, Spirits & Equipment Exhibition - VINITECH-VINEXPO (01-225 5566)
Bordeaux

June 20-25
International Building and Construction Exhibition (045382 8989)
Beijing

June 25-28
International Fancy Food and Confection Show (01-940 3777)
Atlanta

June 27-29
International Express & Courier Services Exhibition and Conference (0420 87303)
Brussels

July 6-8
International Professional Broadcasting Recording Public Address Exhibition - PRO AUDIOASIA (0494 729406)
Hong Kong

Business and management conferences

June 1
Tolley Conferences: Capital Gains Tax for the 1989 tax adviser (01-680 5682)
London Press Centre

June 2
IBC: International securities settlement - what is the future? (01-236 4080)
Hotel International, Zurich

June 5-6
Business Research International: Structuring and financing acquisitions (01-637 4383)
Cafe Royal, London

June 5-6
The British Institute of Energy Economics: Fourth annual North Sea conference (01-997 3707)
Whitehall

June 5-9
Management Training Consultants: Techniques of supervisory and management training for trainers (0533 627062)
Leicester

June 5-6
Acquisitions Monthly: Strategic alliances - an alternative way ahead (01-823 8740)
Inn on the Park, London

June 6-7
Financial Times Conferences: Commercial aviation and aerospace - Towards the year 2000 (01-925 2323)
Paris

June 8-9
IBC: Spain - the new benefit environment (01-236 4080)
Hotel Melia, Madrid

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

NESTLÉ S.A.

NESTLÉ S.A., CHAM and VEVEY
Payment of dividend

Notice is hereby given to shareholders and holders of participation certificates that following a resolution passed at the General Meeting of shareholders held on May 25, 1989 a dividend for the year 1988 will be paid to them as from May 29, 1989 as follows:

	per share	per participation certificate
gross	SFr. 175.-	SFr. 35.-
less Swiss federal withholding tax of 35%	SFr. 61.25	SFr. 12.25
net	SFr. 113.75	SFr. 22.75

This dividend is payable against delivery of coupon No. 7 for all bearer shares and participation certificates.

On the other hand, all dividends payable on registered share certificates without coupons will be paid by bank transfer to the shareholder's account or by way of an assignment in accordance with the instructions received from the shareholder.

The dividends are payable in Swiss Francs, free of charge for the beneficiary. Outside Switzerland Paying Agents will pay against coupons and assignments in local currency at the rate of exchange prevailing on the day of presentation; bank transfers will be affected value May 29, 1989 in local currency at the rate of exchange prevailing on that date.

Coupon No.7 and assignment may be presented as from May 29, 1989 to the following Paying Agents of the Company:

In Switzerland: Credit Suisse, Zurich, and its branch offices,
Swiss Bank Corporation, Basle, and its branch offices,
Union Bank of Switzerland, Zurich, and its branch offices,
Swiss Volksbank, Bern, and its branch offices,
Bank Leu Ltd., Zurich, and its branch offices,
Banque Cantonale Vaudoise, Lausanne, and its branch offices and agencies,
Zurcher Kantonalbank, Zurich, and its branch offices,
Berner Kantonalbank, Bern, and its branch offices,
Zuger Kantonalbank, Zug, and its branch offices,
Banque de l'Etat de Fribourg, Fribourg, and its agencies,
Darier & Cie, Geneva,
Lombard, Odier & Cie, Geneva,
Pictet & Cie, Geneva,
Handelsbank NatWest, Zurich, and its branch office.

In England: Credit Suisse, London,
Swiss Bank Corporation, London,
Union Bank of Switzerland, London.

In the United States of America: Morgan Guaranty Trust Company of New York, New York,
Credit Suisse, New York,
Swiss Bank Corporation, New York,
Union Bank of Switzerland, New York.

In France: Crédit Commercial de France, Paris,
Banque de Paris et des Pays-Bas, Paris.

In Germany: Dresdner Bank AG, Frankfurt/Main and Düsseldorf.

In the Netherlands: Pierson, Heldring & Pierson, Amsterdam.

In Austria: Girozentrale und Bank der österreichischen Sparkassen AG, Vienna.

In Japan: Nomura Securities Co. Ltd., Tokyo,
Yamaichi Securities Co. Ltd., Tokyo.

In Belgium: Banque Bruxelles Lambert, Brussels.

Cham and Vevey, May 25, 1989 The Board of Directors

NOTICE TO HOLDERS

CFX

U.S.$155,000,000

Credit for Exports PLC
(incorporated in England with limited liability)

Unsecured Floating Rate Notes due 1985 to 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 7(a) of the above mentioned Notes (the "Notes") Credit for Exports PLC will, on 3rd July, 1989, redeem U.S.$2,250,000 in principal amount of the Notes at par (U.S.$15,080,000 in principal amount of the Notes having been *purchased* on *behalf of Credit for Exports PLC in the open market*, in *compliance* with the provisions of Condition 7(b) of the Notes, and having been credited at their principal amount against the mandatory redemption instalment of U.S.$17,330,000 in principal amount of the Notes due on 3rd July, 1989) and that the following Notes, identified by serial number, have *been drawn by Orion Royal Bank Limited as Principal Paying Agent* on *behalf of The Law* Debenture Trust Corporation p.l.c., the Trustee for the holders of the Notes, for redemption on such date:—

a	4580	6004	8017	10328	11947	13320
2137	4591	6053	8037	10485	11881	13361
2144	4603	6188	8051	10528	11984	13511
2230	4630	6204	8822	10566	12011	13534
2249	4649	6254	8874	10689	12045	13554
2261	4655	6478	8900	10742	12063	13582
2286	4663	6501	8970	10769	12070	13613
2335	4743	6522	9079	10770	12175	13641
2503	4745	6579	9103	10861	12311	13649
2518	4770	8581	9119	10925	12340	13699
2586	4818	6625	8151	10969	12383	13710
2698	4938	6675	9187	11024	12398	13791
2723	4985	6713	9217	11071	12484	13814
2802	4990	6881	9218	11138	12493	13819
2841	5134	6928	9223	11140	12528	13935
2934	5137	6997	9487	11161	12550	14012
3111	5140	7058	9507	11177	12578	14017
3271	5166	7134	9562	11235	12615	14033
3275	5167	7184	9681	11236	12687	14078
3403	5248	7231	9725	11264	12725	14085
3431	5278	7304	9726	11300	12769	14111
3479	5363	7382	9773	11323	12798	14112
3502	5368	7403	9779	11373	12806	14142
3581	5385	7438	9801	11427	12820	14152
3587	5445	7673	9824	11429	12930	14181
3610	5512	7682	9996	11478	12931	14187
3612	5529	7725	10080	11578	13036	14401
3629	5538	7829	10094	11641	13039	14433
3842	5550	7908	10105	11715	13078	14446
4503	5628	7930	10191	11736	13141	14453
4505	5652	7947	10240	11737	13165	14487
4534	5976	7969	10321	11897	13170	14495
4544						

Notes not listed above are not affected by this redemption.

The Notes specified above should be presented and surrendered on 3rd July, 1989 *for redemption together with all unmatured coupons at* the *specified office* of *any* of the Paying Agents listed below. On such presentation and surrender payment of the full principal amount of such Notes will be made by U.S. Dollar cheque drawn on a New York City bank or by transfer to a U.S. Dollar Account maintained by the payee with a New York City bank.

Coupons due for payment on 3rd July, 1989 should be detached before presentation and surrender of the Notes specified above and presented for payment in the usual manner.

PAYING AGENTS

Orion Royal Bank Limited
71 Queen Victoria Street,
London EC4V 4DE, England

The Royal Bank of Canada (France) S.A.
3 Rue Scribe,
75440 Paris,
France

The Royal Bank of Canada (Suisse),
Rue Diday 6,
1204 Geneva,
Switzerland

The Royal Bank of Canada (Belgium) S.A.,
Rue de Ligne 1, B-1000 Bruxelles,
Belgium

The Royal Bank of Canada A.G.,
Gutleutstrasse 85,
D-6000 Frankfurt/Main,
Federal Republic of Germany

Kredietbank S.A. Luxembourgeoise,
43 Boulevard Royal,
2955 Luxembourg

Paying Agent as to Principal only:
First Interstate Trust Company of New York
2 Broadway, 29th Floor
New York, NY 10004
U.S.A.

Interest shall cease to accrue on the Notes specified above with effect from and including 3rd July, 1989 and all Coupons (whether or not attached to such Notes) relating to any interest payment date falling due after 3rd July, 1989 shall thereupon become void.

DATED: LONDON, 30th May, 1989
Credit for Exports PLC and
The Law Debenture Trust Corporation p.l.c., Trustee
By:

ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group
PRINCIPAL PAYING AGENT
A member of The Securities Association

Payments of principal made upon surrender of the Notes specified above at the office of the Paying Agent in the United States of America and payments of principal or interest made upon surrender of Notes or Coupons outside the United States of America but by transfer to an account maintained by the payee with an office of the payor within the United States of America may be subject to certain information reporting requirements and to a United States of America back up withholding tax unless holders certify that they are not U.S. persons (as defined in the United States Internal Revenue Code) and, in the case of payments of principal, as to certain other factual matters.

J.P. Morgan & Co. Incorporated

DM 400,000,000

Floating Rate Subordinated Notes of 1985/1995
– Stock Index No. 476 966 –

In accordance with § 2 (9) of the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 7⅜% p.a. for the Interest Period May 30, 1989 to August 30, 1989 (92 days). Interest accrued for this Interest Period and payable on August 30, 1989 will amount to DM 188.47 per DM 10,000 Note and DM 4,711.81 per DM 250,000 Note.

May 1989

Interest Determination Bank:
J.P. Morgan GmbH
Frankfurt am Main

U.S. $125,000,000
European American Bancorp
(Incorporated in the State of New York, U.S.A.)

Floating Rate Notes Due 1992

Notice is hereby given pursuant to the Terms and Conditions of the Notes that *for the three months from* 30th May 1989 to 30th August 1989 the Notes will carry an interest rate of 9$^{11}/_{16}$% per annum. On 30th August 1989, interest of U.S.$247.57 will be due per U.S. $10,000 Note for Coupon No. 15.

EBC Amro Bank Limited
(Agent Bank)

30th May 1989

Jeremy Bond backs the revised bid for Ketson

By Andrew Hill

Mr JEREMY BOND, the deputy chairman of Ketson, has decided to favour the hostile consortium bid for the public relations and marketing group.

The consortium has also altered the terms of its offer after discussions with Ketson shareholders.

City and Westminster Financial, a private merchant bank and investment group, Broad Street Group, the USM advertising, marketing and PR company, and Summer International, the training and education group, will now subscribe for 3.33m of the new shares in Moneytab, the company being set up for the bid, at 15p each.

The consortium is investing the same amount – £500,000 – but Ketson shareholders who accept the offer and the ensuing rights issue, also at 15p a share, will be left with 86.7 per cent of the new company, as opposed to 70.3 per cent under the previous proposals.

In a letter to Ketson shareholders distributed by the consortium, Mr Bond said he had taken independent financial advice and decided that the consortium's revised offer was "significantly more attractive than the refinancing package proposed by the company".

Ketson, which is advised by Morgan Grenfell, will ask shareholders to oust Mr Bond from the board at today's extraordinary meeeting called to approve the radical restructuring of the group's finances.

Mr Bond is the founder, former chairman and chief executive of Moorgate, the group's financial PR subsidiary which has been at the root of Ketson's financial problems. He is also the largest shareholder in Ketson with a 12.14 per cent stake.

The consortium, advised by City and Westminster, is offering Ketson shareholders one new Moneytab share for each existing Ketson share.

Moorgate and IETC, Ketson's training company, would be sold to Broad Street and Summer respectively, and £1m would be raised through the rights issue.

Wembley expands via £15.5m acquisition

By Philip Coggan

WEMBLEY, the property and leisure group which owns the eponymous stadium, is buying Meridian Holdings, an interior contracting group, for a maximum of £15.5m.

Meridian is the holding company for the Styles and Wood group of businesses which are involved in the refit of sports arenas, project management, specialist joinery manufacturing and interior contracting.

Meridian's pre-tax profits for the year to March 31 1989 are estimated at £1.4m on turnover of £36m. The consideration, which is payable in cash, is based on a multiple of eight times earnings.

The initial consideration is based on the lower of the earnings for the years 1988-89 and 1989-90 and further payments will be made based on the years 1989-90 to 1991-92.

OFT to investigate SIS link with Racecourse Association

By John Ridding

SATELLITE Information Services, which provides live television racing coverage to bookmakers, yesterday confirmed that its link with the Racecourse Association is to be investigated by the Office of Fair Trading.

Mr Jeremy Bridge, finance director, said the company's solicitors had been approached at the end of last week. He declined to give details of the investigation but it is expected to centre on clauses in the confidential RCA-SIS agreement concerning the terms on which new entrants are allowed to broadcast race meetings.

A consortium headed by British Aerospace is currently attempting to enter the market and the OFT is reportedly examining barriers to entry.

Under its agreement with the RCA which was reached in October 1987, and which was examined at the time by the OFT, SIS undertook to pay a £25m fee over five years in return for the right to broadcast certain race meetings to bookmakers' premises.

Additional payments depend on the number of clients which take the service. Currently, an estimated 10,000 bookmakers receive the live broadcasts.

Mr Bridge said there were considerable start up costs and only recently has the company broken even. He said while the agreement with the BCA was on a non-exclusive basis, SIS would obviously be disappointed if new entrants were encouraged at a lower cost.

The holding companies of the large bookmaking chains currently own over 60 per cent of SIS. However, following a private share placing, currently underway, this will be reduced to around 45 per cent.

Hawtal cuts loss despite shortfall in volume

HAWTAL Whiting Holdings showed an improvement in 1988 but still incurred a loss of £1.22m. The dividend is limited to 0.1p, against 4p previously.

Mr John Whitecross, chairman of this motor industry design and engineering consultancy, said the result was disappointing. Following the optimistic outlook forecast in the interim statement, the group failed to maintain its increased activity.

The shortfall in volume, experienced since the latter part of 1987, continued with the unforeseen slippage of two major programmes into 1989.

Turnover was slightly ahead at £30.88m (£30.05m) and at the operating level the group almost reached break-even, cutting the loss from £982,000 to £11,000.

Interest charges, however, were up to £595,000 (£550,000), reflecting monies borrowed for the refurbishment of the new head office at Basildon, Essex, and there was an exceptional charge this time of £276,000. That left the loss at £1.22m (£1.53m) pre-tax, and £1.07m (£1.66m) at the attributable level equal to losses of 14.8p (23p) per share.

On the outlook, Mr Whitecross said he looked for a much improved performance in 1989, as 85 per cent of the projected business was now secured.

Efforts to diversify the customer base were bearing fruit. This year 40 per cent of business in the UK was expected to come from countries other than the US, mainly in Europe and south-east Asia; that was equivalent to 24 per cent of the worldwide business, compared to 13 per cent last year.

Widney selling loss-maker for over £1m

Widney, general engineer, saw its profit slide from £319,000 to £24,000 in the half year ended March 31 1989, but that included £177,000 losses of Francis and Lewis, which is being sold.

Continuing activities contributed £210,000, an "encouraging improvement" after the disappointing second half of last year. Order book for the current half year had already substantially exceeded total sales for the opening period.

The sale of Francis and Lewis, for £1.08m plus some £125,000 stock at valuation, will improve profitability and liquidity, and free senior management to spend more time on internally generated growth. The purchaser is Mr Archie Stevenson, its present managing director.

Group turnover in the half year rose to £10m (£8.43m). Earnings were nil (2.2p) while the interim dividend is held at 0.5p.

Eastern Produce ahead

AN INCREASE of £886,000 to £8.14m in pre-tax profit was achieved by Eastern Produce (Holdings) in 1988. The dividend is lifted 1p to 11p, with a final of 8.5p.

The group runs plantations, and is engaged in engineering and fishing. Turnover jumped to £163.67m (£93.14m) and operating profit to £7.82m (£4.45m).

Associates' contribution was £969,000 (£1.48m) and investment income came to £1.36m (£2.54m). Interest charges rose to £2m (£1.21m).

Results included Associated Fisheries as a subsidiary for 15 months (seven months) and East African Coffee Plantations as an associate for six months (subsidiary for six months).

There was an extraordinary profit of £3.92m (£3.4m).

Yale and Valor to dispose of cooker division

By John Ridding

Yale and Valor, the locks and domestic appliances group, is to sell its cooker division to Stoves, a newly-formed management company in return for a 20 per cent stake in the new set-up.

The management team comprises Mr John Crathorne, formerly chief executive of Thorn EMI's domestic appliance division, and includes two members of Valor Cooker's existing management. They will contribute around £10m in investment for the project which has been raised by Candover Investments.

The sale, which comprises Yale and Valor's Rainhill cooker factory, reflects the group's focus on core businesses.

Mr Anthony Marson, finance director, said Yale and Valor was not principally involved in white goods although the potential of the new company and its management prompted them to retain a 20 per cent stake.

Each of the two companies will be responsible for its own consumer relations, sales marketing and design functions. During an initial period, however, there will be some common services.

Isopad profit rises 25%

ISOPAD International lifted pre-tax profit by 25 per cent from £2m to £2.5m for the year ended January 31 1989, its first full year on the main market.

The company makes temperature control equipment for pipes and vessels.

Although trading conditions remained difficult, mainly because of over production by other makers of lowest priced tapes, Isopad was not seriously affected.

Bulk of group sales related to higher value-added applications of its products in engineering systems. Turnover rose to £13.32m (£12.7m).

Earnings came to 14.2p (12.5p) and a final dividend of 3.5p makes a total of 5p.

Eadie to buy truck wheels distributor

By John Ridding

Eadie Holdings, the transport equipment and wire products group, is to acquire Cambria (Wheels Division), a stockholder and distributor of truck wheels, for a maximum of £8m.

Cambria, based in Cardiff, also supplies specialist wheels for agricultural, earth-moving and industrial users. In the year to February 28, it reported pre-tax profits of £965,463 on sales of £7.05m. The acquisition marks a further step in Eadie's strategy of abandoning its traditional high volume, low margin products in favour of a move into higher value added light engineering products.

Initial consideration of £5.48m will be raised through a vendor rights issue of 9.5m ordinary shares. They will be offered to existing shareholders at 62p on a one-for-two basis.

REA terms for Wigglesworth

REA Holdings, the commodity trader, announced details of its £3.75m recommended offer for Wigglesworth, a natural-fibres trading company with interests in Africa. The cash terms are funded in part with a £2.52m issue of shares, underwritten at 210p.

For every 105 Wigglesworth ordinary, REA bids 400 shares, or £840 in cash, loan notes or convertible loan stock. For every 42 deferred units, the offer is 100 shares, or £210 in cash, notes or convertibles.

Kelsey nears £1.4m midway

Kelsey Industries, the Hertfordshire-based maker of solder and audio and video accessories, lifted pre-tax profits its nearly 15 per cent from £1.18m to £1.35m in the six months to March 31.

Turnover for the company, which is also an engineer and roofing and insulation contractor, advanced by 8 per cent to £18.12m (£16.76m).

An interim dividend of 4.125p (3.75p) is being paid from earnings per share of 22.9p (18.3p).

COMPANY NEWS IN BRIEF

BRITISH AND American Film Holdings: For 1988 pre-tax profit was £715,000 (£620,000), of which the holding company scored £628,000 (£527,000). Group earnings were 19.58p (16.41p) and the final dividend is 5.05p, to make 7.425p (6.625p). Net asset value per share, excluding film rights, was 580.7p at December 31 (489.3p) and increased to 724.3p at April 28.

SCOTTISH Investment Trust: Net asset value per 25p share at April 30 stood at 185.8p (166.5p at October 31 1988). Available income for the six months to April totalled £4.01m (£2.9m). Earnings were 1.58p (1.14p) and the interim dividend 1.15p (1p).

THORNTON (GW) Holdings, USM-quoted precision engineer and forgings maker: turnover for half year ended March 31 1989 was £10.11m (£6.68m) and pre-tax profit £721,000 (£615,000). Earnings 7p (6.7p) and interim dividend 2p on increased capital (1.75p).

TR PROPERTY Investment Trust: Total income £9.23m for year ended March 31 1989 (£5.42m) and net taxed revenue £4.34m (£2.68m). Earnings 1.67p (1.03p) and final dividend 0.86p to make 1.2p (0.8p). Net asset value per share £6.78p (£4.93p).

WARNER ESTATES: For six months ended March 31 1989 turnover was £4.1m (£3.34m) and pre-tax profit £3.02m (£2.39m). Interim dividend 2.5p (2p). Rental income expected to increase from rent reviews, lease renewals, and new properties. Sales of surplus dwellings produced net taxed surplus of £2.08m (£2.08m).

BOARD MEETINGS

[illegible]

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

British Assets Trust Index-Linked 2005 (Section: Investment Trusts).
CSR Limited (Industrials).
Enterprise Finance Units (Reg) (Oil & Gas).
Fleming High Income Investment Trust (Investment Trusts).
Quiligotti (Buildings).
Try Group (Buildings).

Juliana's receives bid approach

By John Thornhill

The share price of Juliana's Holdings, the disco and hospitality services group, climbed by 16p to 83p on Friday, when the company announced it had received an approach which might, or might not, lead to an offer being made.

At Friday's closing price, Juliana's market value was £17.6m.

The founders of the business, Mr Oliver Vaughan, chief executive, and his brother and fellow director, Mr Tom Vaughan, between them own over 50 per cent of the company's equity.

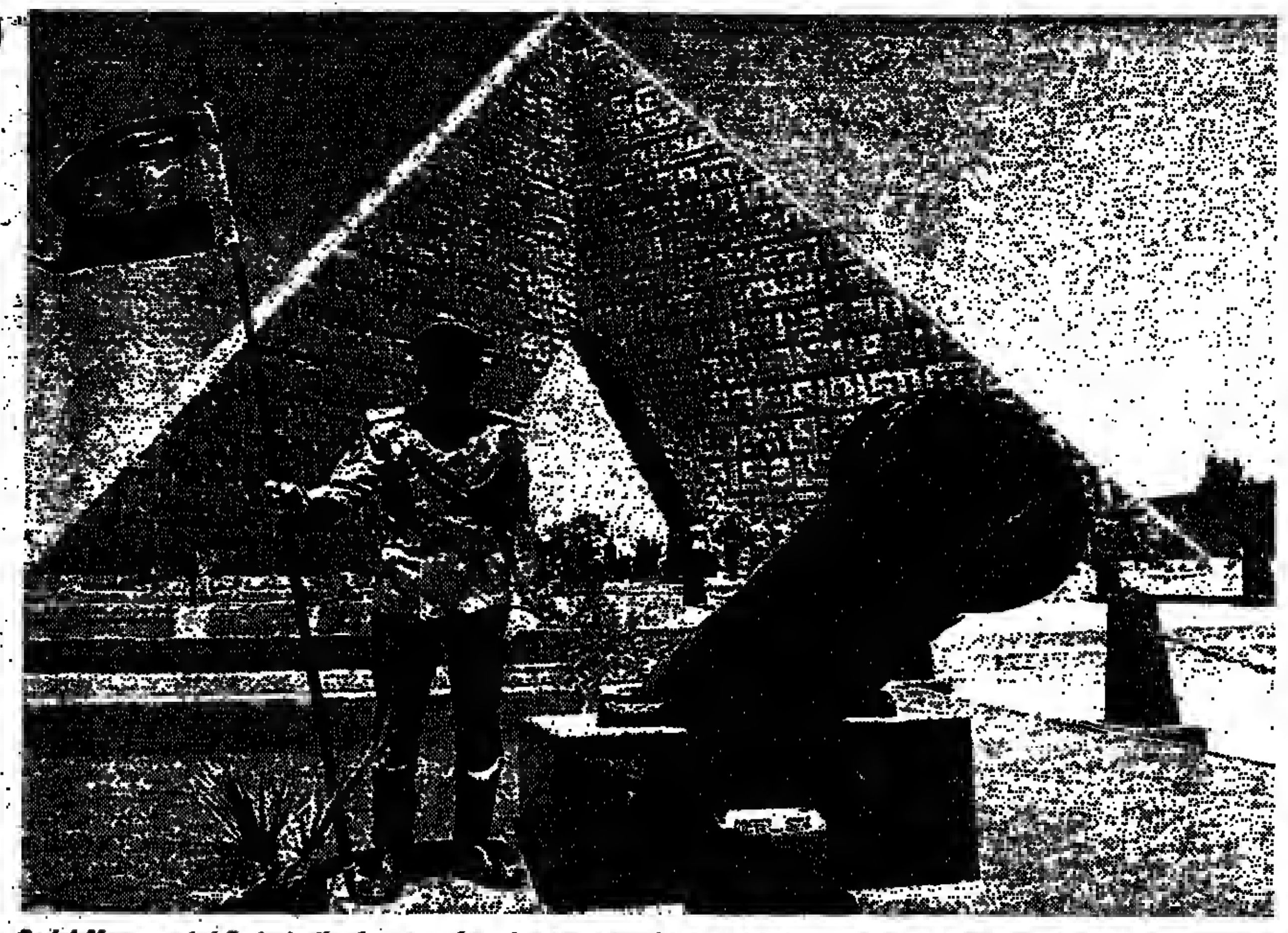
Last month, Juliana's reported 1988 pre-tax profits increased from £1.43m to £1.76m, on turnover of £11.85m (£9.45m).

FINANCIAL TIMES STOCK INDICES

	May 26	May 25	May 24	May 23	May 22	May 19	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.20	86.06	85.96	86.12	86.42	86.70	89.29	85.84	127.4	49.18
Fixed Interest	96.91	96.87	96.89	97.33	97.30	97.31	99.59	95.93	105.4	50.53
Ordinary	1778.8	1777.3	1774.0	1787.4	1803.6	1837.5	1837.5	1447.8	1926.2	49.4
Gold Mines	171.2	170.4	168.1	168.6	166.3	168.8	196.1	154.7	734.7	43.5
FT-Act All Share	1103.81	1100.44	1097.76	1106.73	1114.96	1131.41	1131.41	921.22	1238.57	61.92
FT-SE 100	2140.3	2136.6	2132.7	[illegible]	2169.0	2204.7	2204.7	1782.8	2443.4	986.9

FINANCIAL TIMES SURVEY

Cairo's readmission to the Arab League after 10 years has been a diplomatic triumph for President Hosni Mubarak. But, as Andrew Gowers writes, the President will be keeping an eye on its impact at home, where he has been walking a political and economic tightrope



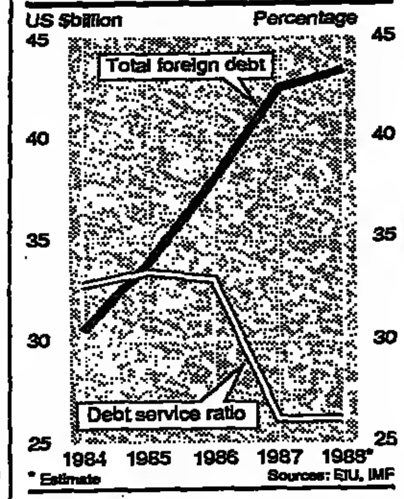
Sadat Monument: tribute to the former ruler whose treaty with Israel led to Egypt's ostracism in the Arab world

EGYPT

KEY FACTS

Area: 997,738 sq km
President:
Mohammed Hosni Mubarak
Population: 50.74m
Life expectancy at birth (1986):
61 years
Birth rate per 1,000 population:
1965: 43%; 1988: 34%
Population per doctor:
1965: 2,300; 1986: 760
% of 11-18 year-olds in secondary education:
1965: 26%; 1986 62%
GDP at market prices:
£E61,362m (1988)
Real growth in GDP: 2.7% (1988)
Average annual growth in GDP (1984-88): 3%
GDP per capita: $1,240
Inflation: 25% (1988)
Average annual inflation (1980-87): 16.3%
Currency: *Egyptian pound (£E)*
Average annual exchange rates (1988): Official rate: $=£E0.7
Secondary rate: $=£E2.2129; £=3.9421
Current exchange rate:
$=2.5586; £=4.0440 (May 1989)
Merchandise exports:
$3,050m (1988)
of which crude petroleum 41.7%
refined petroleum 15.7%
cotton 14.4%
Average annual growth rate in export volume 1980-86: 7.4%
Merchandise imports:
$8,020m (1988)
Average annual growth rate in import volume 1980-86: 5.2%

Trade balance as % of GDP:
-18.8% (1988)
Petroleum production:
850,000 b/d (Sept 1988)
Current account balance:
-$554m (FY87/88)
Current account balance as % of GDP: -3.4% (1988)



* Estimate Sources: EIU, IMF

Reserves exc. gold: $1,025m (1988)
Stock of debt: $40,369
Debt service: $1,927m
Debt service ratio: 12.7%
Total debt as % of GNP: 117.6%
All data 1987 unless stated otherwise

Back into the Arab fold

WITH A minimum of fuss and a modicum of predictability, President Mohammed Hosni Mubarak of Egypt made history last week by representing his country at a summit meeting of Arab leaders for the first time. His presence in the Moroccan port of Casablanca symbolised the formal conclusion of a chapter which had all but ended several years ago: the attempt by other Arab states to ostracise Egypt over its peace treaty with Israel.

But Cairo's readmission to the Arab League, an organisation it once dominated and then derided, was more than a formality. In notching up his latest diplomatic success, Mr Mubarak will also have had an eye to its impact at home, where he has been performing a political and economic balancing

President Mubarak has steered Egypt back to a position of real weight in a variety of fora, from the Non-Aligned Movement to the Organisation of African Unity

act that becomes more delicate by the month. Egypt's political establishment, while freer to speak and write than at any time in recent memory is confused and fragmented; its populace seems more than usually alienated from the system; more important, its financial circumstances have dramatically worsened in the past year, and the Government's attempts at economic reform still seem faltering at best.

This combination of political drift and economic deterioration gives Egyptian political pundits a sense of impending crisis that was not apparent even a year ago; and even in some cases a fear that conditions could become politically combustible, with economic hardship providing a potential spark.

In the circumstances, it is scarcely surprising that the Government attaches such singular importance to securing diplomatic gains — in the hope that an enhanced standing abroad will help to offset its difficulties at home. "Given the intensity of our domestic problems, the question is whether external success can help us get through our economic situation," says Mr Tahsin Bashir, a senior diplomat and shrewd observer of the local scene.

This is not in any way to belittle Mr Mubarak's diplomatic achievements in the eight years since he took the helm after the assassination of President Anwar Sadat. By dint of persistence and a great deal of tact, the President and his Foreign Minister of the last four years, Dr Esmat Abdel-Meguid, have steered Egypt back to a position of real weight in a variety of fora, from the Organisation of African Unity (Egypt becomes chairman in July) to the Non-Aligned Movement.

An impressive procession of Arab leaders has been through Cairo in recent months, and President Mubarak has demonstrated his support for a key Arab cause by closely co-ordinating policy with Mr Yassir Arafat, the Palestine Liberation Organisation leader. Mr Mubarak has normalised relations with the Soviet Union, maintained the 10-year-old peace (albeit a cold one) with Israel, and nurtured Egypt's close ties with the US. Once again, it is being said with confidence in Cairo that Egypt is uniquely placed to play a central role in the elusive Middle East peace process, as the only Arab country on speaking terms with other Arab states and with Israel. The weight it is being accorded was graphically underlined earlier this year, when Mr Eduard Shevardnadze, the Soviet Foreign Minister, met both his Israeli counterpart, Mr Moshe Arens, and Mr Arafat during a visit to Cairo.

Set all this against Egypt's economic troubles, however, and you begin to see the limits to what can be achieved through diplomacy. What the world saw last week in Casablanca was a weakened Egypt joining a much weakened Arab League: in the light of the Arab world's fatigue after the Gulf war and Arab regimes' fears over the Palestinian uprising in the Israeli-occupied territories, the two parties need each other, perhaps as never before.

Moreover, Egypt's straitened economic circumstances — in particular its dependence on US and other financial assistance and its crippling foreign debt — are bound to constrain its ability to carve out a strong or independent foreign policy. Its characteristic diplomatic posture these days involves lending support to the initiatives of others: plugging away at the theme of moderation, seeking to lure the US into a high-profile effort at Middle East peace-making or to prod the PLO into further clarifying its position.

At the same time, President Mubarak constantly reminds his Western interlocutors that the maintenance of moderation comes with a price: continuing financial assistance to ensure political stability. Dr Mohammed Abdellah, chairman of the Foreign Affairs Committee of the People's Assembly and a confidant of Mr Mubarak, describes this process as "using the international weight of Egypt to serve the country's economic purpose ... We say to the international community: do you want peace in this area? If the answer is yes, you have to help us assume this role."

Every time he presents his political "cost-benefit analysis" to Western governments these days, Mr Mubarak finds himself confronted with sympathetic but increasingly frustrated complaints about his country's performance in servicing its foreign debt or about the slow pace of economic reform.

Of necessity, then, the President's main preoccupation remains the economy. And here, the problems have been crowding in on him thick and fast in the past year. They include:

■ Rising inflation, estimated officially at 25 per cent and unofficially within the Government at between 30 per cent and 35 per cent. Although the Government has maintained its guaranteed supplies of staple foodstuffs at highly-subsidised prices, the population's living standards have probably been significantly eroded in the past two years. Especially hard hit are the vast numbers of poorly-paid public sector employees.

■ Rapidly increasing unemployment. This is impossible to assess with any degree of precision, given the large size of the black economy. But senior Government officials reckon that between 20 per cent and 22 per cent of the workforce may now be jobless. The figure is bound to rise further since Egypt's spiralling population brings an estimated 450,000 new job-seekers on to the market every year. Already, a queue of several million graduates has built up for supposedly guaranteed jobs in the public sector.

■ A financial squeeze which became increasingly severe last year and which is now close to crisis-point. Once again, Egypt has been building up heavy arrears on its $43bn foreign debt, and these are likely to grow further in the absence of another Paris Club rescheduling. Its access to new inter-governmental, let alone commercial, credit is almost completely blocked. Creditor countries are attaching conditions even to soft loans for the purchase of vital commodities like wheat; foreign exchange reserves are as low as they have ever been.

The balance of payments is ailing again, as a result of increased international commodity prices, sagging remittances from Egyptian workers

Cairo recognises it will have to strike another deal with the IMF on terms almost certainly stiffer than it will find comfortable, probably by the end of this year

abroad and patchy oil revenues. The current account deficit was cut to "only" $544m in the last fiscal year, thanks mainly to a drastic reining in of imports. But that did not include overdue debt payments, which would have inflated the deficit considerably. And Dr Yousri Moustapha, the Economy Minister, believes the deficit will show renewed slippage in the current year, ending June 30, perhaps reaching $700m.

Moreover, capital flight is believed to be continuing, contributing to a further slide in the value of the Egyptian pound and starving the country of investment. The collapse of a number of so-called Islamic investment houses in Egypt last year — in which tens of thousands of ordinary Egyptians stand to lose their savings — is said to have shattered what confidence was left in the economy. Remittances from workers in the Gulf and elsewhere, the country's main source of foreign exchange earnings, appear to have fallen sharply as a result.

Egypt is, of course, no stranger to debt service problems, but there is reason to believe that the issue will be brought to a head later this year over the question of the $4.6bn military debt to the US. In the absence of a second Paris Club rescheduling, Cairo has to find increasing amounts of extra money every month from July to resume payments on this debt, service of which will cost more than $500m in fiscal 1989-90. If it does not, it risks triggering a cut-off of US financial assistance.

Cairo now recognises it will have to strike another deal with the International Monetary Fund on terms almost certainly stiffer than it will find comfortable, probably by the end of this year. The breathing space the Government has until it does so is bound to be constricted, but ministers reckon that they can hold out at least until October.

Although the situation is only now becoming critical, the rot in fact set in as early as 1987 with the collapse of a previous Economic Stabilisation Programme agreed with the IMF. Within only a few months of the signing of that accord, and of a May 1987 Paris Club agreement to reschedule $6.5bn of its debt, Egypt started backsliding on its reform commitments. Partly as a result, the expected wave of new credit from the international community did not pour in and by last year relations between the two sides had reached a fresh nadir, with President Mubarak indulging in petulant attacks on the Fund as a "quack doctor."

The rhetoric has now died away, and serious bargaining has begun again between Egypt and Fund representatives over a timetable for economic reform. President Mubarak has nudged the process along with a number of policy adjustments — a jump in subsidised energy prices here, a modest rise in interest rates there, a promise of new measures to promote investment in the near future.

But as the negotiations enter a decisive phase, there is still a sense that Egypt is running to stand still. The IMF, now at least twice bitten and thrice shy in its dealings with Egypt, is determined to avoid a re-run of 1987; the Egyptian authorities are equally determined to prevent something worse, namely the sort of violent protests which they fear could be unleashed by any abrupt move on the economy.

Meanwhile, Western officials continue to puzzle over the more fundamental question of how to draw the Government into the sort of sustained, rather than piecemeal, process of reform without which the country will simply muddle along from one crisis to another for the foreseeable future.

Egyptian officials understand why the IMF is maintaining a tough line. After all, the terms of the collapsed 1987 standby credit were among the most lenient ever agreed with a debtor country. "We have a saying in Arabic: he who gets scalded by the soup is likely to blow on the yoghurt," said one Government adviser. "The trouble is that the IMF could easily get scalded again because what we are offering is another soup."

But it goes deeper than that. In its report on the failure of the 1987 programme, the Fund warned that Egypt would continue to face severe payments problems well into the 1990s — even if it agreed to the pace of reform being suggested. This is not very encouraging for those who believe the international community can and should do more than keep a finger in the dyke.

Nevertheless, the omens for an eventual deal this year are not bad. In recent weeks, the outlines of a possible compromise have begun to emerge.

Senior Egyptian officials and their Western counterparts are focusing their attention on possible measures to stimulate the supply side of the economy, in order to compensate for the shock which an accord might be expected to deal to the demand side. The US, as Egypt's main paymaster, now appears to accept that the West put insuffi-

The Government finds itself confronted with sympathetic but increasingly frustrated complaints about the country's slow pace of economic reform

cient effort into this aspect of reform in 1987.

Discussions are still at the preliminary stage, but the outcome may be an agreement to speed up disbursement of Western aid in return for specific measures to deregulate sectors of industry or agriculture, and to permit the proper functioning of a capital market: not a comprehensive reform, but a start in dealing with the welter of official controls stifling the economy.

It is widely accepted in government circles that the key to revitalising economic activity lies in attracting back some of the Egyptian money — conservatively estimated at $40bn — that has flowed abroad, or has not flowed home, over the decades since the late President Gamal Abdel Nasser nationalised the country's industry and banks. It is also acknowledged that doing so will require the Government to take decisive steps to boost business confidence, involving some form of deregulation.

The problem lies in translating this general awareness into a precise course of action — the more so since any effective remedies are likely to strike at the core of Egypt's unwieldy centralised system of economic management. It all seems something of a tall order, raising a number of overtly political questions.

First, does President Mubarak have the requisite authority, determination and competent support to carry such a programme through? Second, how does he sell it to a population that is by turns deeply divided and apathetic without provoking riots or another type of challenge to the system? As might be expected, the answers to these questions are far from easy.

As far as authority is concerned, the normally timid Mr Mubarak has recently been asserting himself in unaccustomed fashion. In April, he summarily removed Field Marshal Abdel Halim Abu Ghazala, the powerful Defence Minister who was widely seen as his main rival, and placed him in the "non-job" of consultant to the President. The reasons for the move remain something of a mystery. One theory attributes it to Mr Mubarak's embarrassment over Mr Abu Ghazala's alleged role in an Egyptian plot to smuggle high-tech materials for missile construction from the US; another to a desire to curb military expenditure, a task for which Mr Abu Ghazala's successor, Mr Youssef Abu-Taaleb, a former governor of Cairo with a reputation for efficiency, would be well suited.

Whatever the motive, the important fact is that the transfer was apparently accomplished without ructions in the armed forces — still the ultimate guarantors of the regime — and that it leaves Mr Mubarak in undisputed control of the Government.

Nor can there be said to exist an organised alternative outside the regime. The opposition left is in almost total disarray, and the religious right divided between the semi-legitimate Moslem Brotherhood and a proliferation of extra-parliamentary groups which are currently on the receiving end of a serious crackdown by Gen Zaki Badr, the tough-talking Interior Minister. Egyptian experts reckon that the Islamic trend, while still influential, has suffered a number of setbacks in recent months — not least the collapse of the investment houses that had been operating in the name of Islam.

It is a token of Mr Mubarak's confidence that he has shown no sign of retreating from his commitment to a form of pluralism. Egyptian intellectuals say that freedom of the press and of expression is now greater than at any time since the Free Officers' coup of 1952. While many of them regret that this is not accompanied by freedom to organise, or a genuine broadening of political participation from the lacklustre National Democratic Party, the regime's relative liberalism does provide an important safety valve for discontent.

What is still not clear, after eight years of his rule, is precisely what, if anything, Mr Mubarak aims to do with his power. The President is by nature a cautious consensus-builder. His Government is a broad church that contains a range of opinion from free-market enthusiasts to old-school corporatists. The two strains co-exist uneasily.

The educated public appears to realise that the present situation is not sustainable indefinitely, but people have no clear idea what should replace it, and they fear the unknown. They perceive the bureaucracy's shortcomings, but would fiercely resist any attempt to tamper with an institution which Egyptians still regard as a vital part of the social compact between them

Egypt's political establishment, while freer than at any time in recent memory, is confused and fragmented; its populace seems more than usually alienated from the system

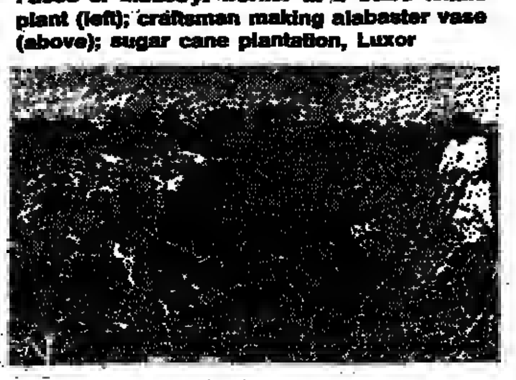
and their rulers. As Mr Mikhail Gorbachev has discovered, perestroika is by definition divisive.

The real danger, of course, is that economic hardship will eventually provoke violent disturbances among those who have no stake in the system.

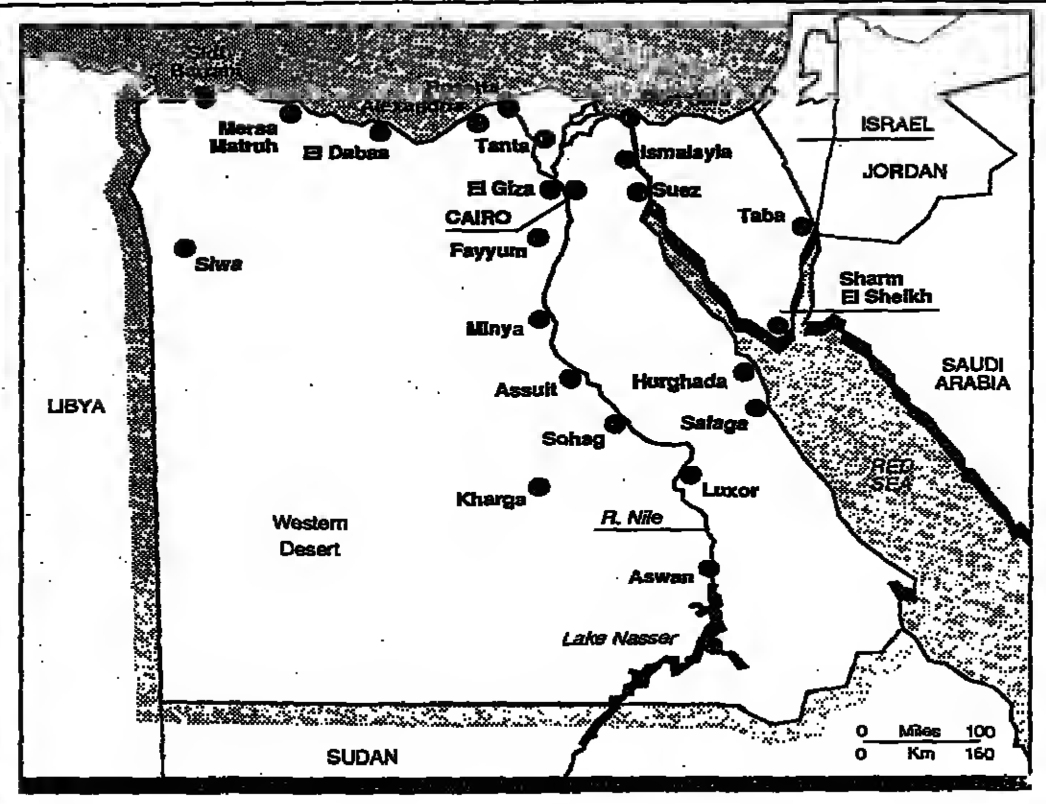
"In Egyptian cities, you have a very inflammable situation with a lumpen proletariat of young unemployed and new migrants from the countryside who are not incorporated into any sector of society," says Dr Saad Eddin Ibrahim, a political science professor at the American University of Cairo. "This is the social group that has been responsible for riots in Algeria, Morocco, Venezuela and Egypt 12 years ago. The state could contain such a challenge, but the destruction it could cause and the danger of frequently calling in the army would be very dangerous for the stability and credibility of the regime."

This is the fear that haunts even the most progressive-minded ministers, and reinforces the Government's in-built inertia. Although Egyptian society has proved resilient over the years, outsiders are chary of trying to second-guess the Government's calculations about its room for manoeuvre.

By exhortation and explanation, President Mubarak can at least claim to have propagated a general awareness among Egypt's political elite that a somewhat bolder approach is needed to address the short-term and much more serious medium-term challenges confronting the country: a population rising at the rate of 1m every seven months; deteriorating public services; and rapidly rising local consumption of energy which could mean it ceases to be a net oil exporter by the mid-1990s. It is not yet clear that he has the sense of purpose equal to the task.



Faces of industry: worker at a Cairo textile plant (left); craftsman making alabaster vase (above); sugar cane plantation, Luxor



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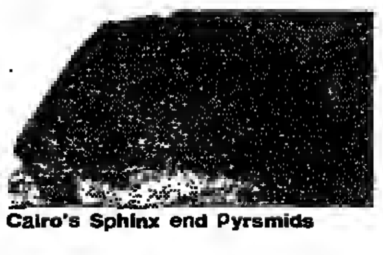
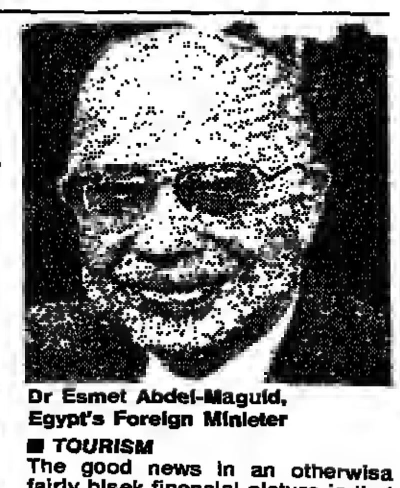


Cairo's Sphinx and Pyramids



Dr Esmet Abdel-Maguid, Egypt's Foreign Minister

ENERGY

A flurry of activity

IF THE number of agreements signed this year by foreign oil companies in Egypt is an indication, then oil and gas exploration is about to rebound strongly after being in the doldrums for several years.

Since January 1, about 35 agreements have been initialled, with more to follow in the next few months as the Egyptian Petroleum Corporation (EGPC) seeks to clear a backlog of applications, some of which date from 1986.

A number of factors have contributed to the latest flurry of activity, including the appointment of a new chairman at EGPC, the unveiling of a gas clause offering additional incentives to explore for hydrocarbons and growing pressure on the government to find new oilfields as reserves are depleted and the prospect of becoming a net importer moves nearer.

If consumption goes on increasing at the present rate, and there are no large new finds, Egypt will be forced to import oil by early next century. It is an unpalatable prospect for a debt-burdened country which even now has trouble finding foreign exchange for essential imports such as wheat.

The lowering "horizon" on Egypt's oil self-sufficiency is an important factor in the calculations being made by foreign oil companies seeking to take advantage of the new gas clause which for the first time formally clears the way for the exploitation of gas deposits.

Under the "take or pay" arrangement, companies will be compensated for gas utilised at a benchmark Mediterranean price for gas minus 15 per cent to cover infrastructure costs. The gas contracts specify that gas should be paid for either in cash or oil. As long as local oil production exceeds domestic demand, companies can be reasonably certain of getting paid. However, there are few illusions among foreign oil company representatives in Cairo about the likelihood of payment difficulties once Egypt becomes a net oil importer.

"Their ability to pay is the biggest question in everyone's minds," said a US oil company representative. "That and the absence until now of a gas clause is one of the things that have deterred people (from investing in the search for gas). If the day comes when consumption of oil in Egypt stops exports, then everyone's in trouble. On most gas projects you're going to have to look at getting it back quicker than oil."

Shell has been the most adventurous investor in the development of gas deposits; it signed the first "model" gas contract for its Bed-3 field in the Western Desert. But there are signs that Shell, which is committed to investing some $600m in exploration and development for both oil and gas over the next few years, has decided to pull in its horns for now. Mr Tarek Heggy, chairman of Shell Winning, Royal Dutch Shell's Egyptian subsidiary, said he was looking three or four years ahead when his company would be ready for new commitments.

Oil and gas exploration is about to rebound strongly after being in the doldrums for several years

"Let us carry on and see some dollars first," he said. Most oil company representatives discount the possibility of large oil finds like Amoco's discoveries in the Gulf of Suez in the past several decades. But they are confident there is more oil in the Western Desert, and possibly in the Sinai where Amoco has taken a lease on 19,000 sq km.

An Amoco executive said the company planned to drill two wells initially, and also to conduct seismic research. Esso drilled a couple of shallow wells in the Sinai in the 1940s, but there has been almost no activity since.

Oil company representatives say their latest negotiations with EGPC have been some of the toughest in their experience. They noted that Egypt was squeezing them harder than ever before on cost recovery terms and on share of profit oil. "It's a sign of the times. They are desperately short of cash," said an oil company representative.

So far, though, there has been no slackening of interest among foreign oil companies in new acreage. With the exception of offshore deepwater Mediterranean areas, new concessions attract spirited bidding among more than a dozen foreign oil companies active in Egypt.

Most interest has focused recently on the Western Desert, where Conoco has been particularly active. It dominated the latest bid round in an area adjacent to where it already has several producing wells. But in the past year or so, initial optimism about the Western Desert's potential has given way to disappointment. Oil reservoirs discovered thus far are small, and it seems unrealistic to expect any alteration to this pattern. "We hoped it would be Libya all over again," said a representative whose company is exploring in the Western Desert, "but it's no Sirte basin."

Other areas of interest include the relatively under-explored Nile Delta, where structures for gas are promising. There is also interest in offshore Delta areas.

Egypt is producing on average about 870,000 barrels a day, about half of which is used domestically. Amoco through Gupco, its joint venture with EGPC, accounts for 50-55 per cent of Egypt's production, mainly from its Gulf of Suez fields which reached "maturation" five years ago when production peaked at 600,000 b/d. About 80 per cent of Egypt's oil comes from the Gulf of Suez, and all these wells are mature. Oil company representatives said the business climate for the oil sector had improved in the past year, although there is widespread concern about the lack of guidelines on Egypt's demand for gas.

Companies are reluctant to invest in new fields if they cannot be sure that the infrastructure will be in place so they can deliver their product. But company representatives praised the new EGPC administration which had substantially reduced delays in granting new exploration agreements. There was also praise for Egypt's more realistic pricing policies — previously it was slow to adjust its price in line with movements in the market. The increase in the oil price from $14 a barrel nine months ago to $17 today has also improved the outlook.

Tony Walker

Businesses face big debts and a lack of foreign exchange, writes **Andrew Gowers**

Industry struggles to stay afloat

EGYPTIAN businessmen have devised a joke to describe the travails of the country's private sector since the Free Officers' coup of 1952. Anyone, it says, who didn't go to jail under Nasser will never go to jail; anyone who didn't make money under Sadat will never make money; anyone who hasn't gone bankrupt under Mubarak will never go bankrupt.

Like most Egyptian jokes it is a caricature with a kernel of truth. Times are indeed hard for privately-owned businesses, probably harder than at any time since the late President Anwar Sadat created his famous "open door" policy to encourage foreign and local private investment in 1974.

Many of the import-dependent businesses set up in the subsequent decade are now in serious trouble, facing the prospect of reduced production or even closure. Leaving aside tourism, which is established as the Egyptian economy's success story, the bright spots — such as thriving exports in some areas — are overshadowed by other sectors' problems with foreign exchange, debt and what is at best a stagnant domestic economy.

"For the past year, we have been feeling a clear recession," says Dr Adel Gazarine, chairman of the Federation of Egyptian Industries.

It is not just a matter of the entrepreneurial classes' old bugbears persisting, or getting worse. To be sure, the vast and notoriously inefficient public sector continues to dominate industry, leaving private business on the margins, competing with powerful entities which have no incentive to make a profit and which can sell at fixed prices. Government-owned enterprises control 70 per cent of industrial output; half of them are believed by independent observers to make losses, and the other half probably would if they did not have access to energy and raw materials at prices fixed absurdly low by the authorities.

Then there is the legendary bureaucracy. Despite frequent government promises to lighten the burden on private enterprise, red tape remains stifling.

But the direct origins of the current crisis are relatively recent. Three main factors are at work.

First, there is a shortage of foreign exchange which is especially acute for private businesses wanting to import raw materials or semi-finished goods for further processing. Foreign banks have largely frozen supplier and letter of credit facilities because of the impasse over Egypt's debt. At home, importers are once again having increasing difficulties with the country's cumbersome system of multiple exchange rates.

Given that the government commandeers oil, cotton and Suez Canal revenues at its artificial Central Bank rate of £E0.70 to the dollar (partly in order to disguise the cost of distributing subsidised food), importers are left to battle for a share of what is called the "commercial bank pool" — supplied mainly from tourist revenues and expatriate Egyptian workers' remittances.

But this pool has been encountering increased difficulty in meeting the still heavy demand for hard currency, partly because Egyptian workers have reduced the flow of remittances since the collapse of Egypt's Islamic investment houses last year.

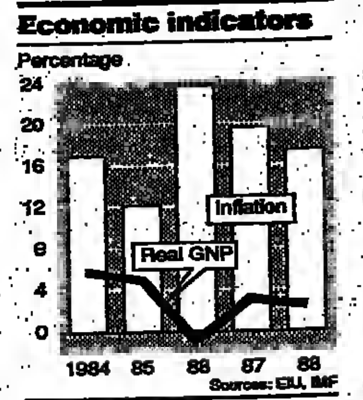
Nor is there any guaranteed solace in the grey or black market. The unofficial value of the Egyptian pound has been showing increasing divergence from the commercial bank rate in recent months, demonstrating that some businessmen have been tempted back to illegal channels in order to obtain their foreign exchange.

But they run the risk of being caught by a government determined to crack down on the unofficial currency market: a number of entrepreneurs are reported to have been arrested in recent swoops on money changers. Small wonder that respectable company executives think twice before dabbling in the black market.

A second problem area is private sector hard currency debt — a burden that has become critical with the continuing slide in the value of the Egyptian pound.

In the early 1980s, when the dollar was quoted at £E0.84, Egyptian companies went on a dollar-denominated borrowing spree, running up debts variously estimated to total between $1bn and $3bn. The snag is that the dollar is now worth nearly £E3, so the companies' debt burden, assessed in local currency, has more than tripled.

Economic indicators



Sources: EIU, IMF

"Many companies have been hit by this, and some are really in serious trouble servicing the debt," Dr Gazarine said.

Third, there are even problems of liquidity in local currency. The Government is tightening the money supply to combat inflation, and banks have become ultra-cautious about lending in Egyptian pounds. The purchasing power of ordinary Egyptians is being squeezed, and will probably be squeezed further if there is an agreement between Cairo and the International Monetary Fund.

The upshot of all this is that companies which rely on imported raw materials and components and which do most of their sales in the domestic market are in a double — in some cases, a triple — bind.

Industrialists report that Egypt's four TV assembly ventures — three of which are public sector and one private — are suffering badly. So are assemblers of basic household goods, whose original economic calculations have been thrown out of the window by the decline in the pound. Many are living on their stocks for now but may eventually have to close for lack of foreign exchange.

Most businessmen appear to believe there is no prospect of improvement until an understanding has been reached with the IMF. They hope such a deal will focus more than in the past on the supply side of the economy — and in particular on the welter of distortions and restrictions holding back activity in both the public and private sectors.

They say that until these controls are eased it is most unlikely that the flight of Egyptian capital will be reversed, or that significant new foreign capital will be attracted.

There are two straws in the wind which might encourage a slightly more optimistic view. One is that the Government does appear to be seized of the red tape problem — at least in intellectual if not in practical terms.

It is preparing a new investment law which is supposed to improve incentives such as tax holidays for new businesses, and perhaps more importantly to simplify approval procedures. The intention is that companies wishing to initiate a project should only have to approach a single government body, the Investment Authority, to obtain clearance.

It remains to be seen whether this makes much difference. Some business representatives are sceptical. They say that the problem lies not so much in the existing investment law, which is quite liberal, as in its implementation.

Mr Taher el-Sherif, secretary general of the Egyptian Businessmen Association, believes that the red tape problem has actually been getting worse, with ill-paid and poorly-educated civil servants wary of taking any initiative.

Some businessmen reckon up to half their time is taken up filling out forms or otherwise dealing with officialdom. Mr el-Sherif says a change in the whole environment will be necessary, rather than in just one law on top of an accumulation of at least 5,000 rules and regulations affecting business over the past 30 years.

The other modest ray of hope is the fresh attention now being given to exports. Precise figures are impossible to come by, but it is unanimously reported that the private sector has been noticeably improving its export performance over the past year, especially in such areas as ready-made garments, processed foodstuffs and leather goods. Mr Mohammed Abdel-Wahab, the Minister of Industry, reports that the public sector has also boosted exports.

No doubt this is partly a reflection of the cheaper Egyptian pound. But Mr el-Sherif believes there is also a new interest on the part of some companies in gearing themselves entirely for export, rather than waiting for an exportable surplus to arise.

Official export procedures have also been eased somewhat in recent months, thanks to a personal intervention by President Hosni Mubarak, and exporters are able to retain more of the foreign exchange they generate for their own use. This is encouraging importers who used to think in terms only of the home market to look abroad.

That is a start. The challenge now is to apply a similar commercial logic to the structure of manufacturing industry.

Reclamation is one way of attaining food self-sufficiency, writes **Tony Walker**

The race is on to find new land

"FOR US land reclamation is a must. We don't have any other choice," declared Dr Adel el-Beltagy, the head of Egypt's land reclamation bureau. "It's a challenge which we have to face, in order to seek self-sufficiency in major agricultural commodities except wheat."

The question for Egypt's agricultural planners and aid donors, however, is whether self-sufficiency will ever be possible in a country whose rate of population increase is putting an ever-increasing burden on limited arable land.

To date, the relatively unsuccessful land reclamation efforts — much of the reclaimed land returns low yields — have not inspired great confidence in government claims that by early next century it will have largely bridged the food gap with the exception of wheat.

The challenge is immense. Agricultural imports have now reached about $4bn a year. Egypt is currently importing more than two-thirds of its wheat and vegetable oil, about one-half of its sugar and one-third of its feed-corn. Its population of 54m is increasing at a rate of about 1m every seven months; by 2000 it will have climbed to 75m at a present annual estimated increase of between 2.7 per cent and 3 per cent.

The yearly increase in agricultural output is hovering at around 2.5 per cent. Egypt desperately needs to increase substantially the rate of agricultural production, but this is not possible from existing high-yielding and intensively-farmed land in the Nile valley and Delta. The race is on to find new land. The Ministry of Agriculture and its bureau of land reclamation have recently identified 3.4m acres of virgin territory, out of 17m surveyed, that would be suitable for reclamation.

It has drawn up a master plan, under which these additional 3.4m acres — existing acreage totals a little less than 7m acres — will be pioneered. Some 2.8m acres would be suitable, according to the master plan, for reclamation using Nile waters. The remaining 600,000 acres would be irrigated from stocks of underground water in places like the Western Desert and the Sinai. The present target is to reclaim 130,000 acres annually. If this rate is maintained for the next decade, Egypt will have broadly matched in 10 years the 1.32m acres reclaimed since 1952, the year that brought Gamal Abdel Nasser to power.

Dr el-Beltagi is confident that significant progress can be made towards restoring balance to Egypt's food production, bearing in mind that in less than two decades the country has slipped from being a net agricultural exporter to an importer of more than 50 per cent of its total food requirements. He is scornful of various land reclamation studies, including one sponsored by the United States Agency for International Development (USAID) in the late 1970s, that found the cost of reclaiming land to be prohibitive. This, he said, had deterred foreign donors from supporting such schemes.

Egypt is now pressing ahead with two big land reclamation projects that will open up farming land on the Mediterranean coast to the east and west

Continued on Page 3

Tony Walker meets a former banker reviving the tourism sector

Free market's spokesman

DR FOUAD Sultan hardly fits the image of a prize fighter. Yet the quietly-spoken former investment banker has had more than his share of scrappy encounters in the four years since his appointment as Minister of Tourism and Civil Aviation.

He has used his position to take up the cudgels on behalf of a beleaguered private sector.

"This is part of the penalty I have to pay to continue my fight," he says ruefully of the frequent criticism he suffers at the hands of Egypt's broad left. "It's not an easy thing to change people's attitudes, but you have to continue to try."

In a country where old dogmas die hard, 58-year-old Dr Sultan stands out in a cabinet of cautious technocrats.

One prominent businessman said: "If Fouad was to be sacked or was to resign from the government, it would send a very, very negative signal to the business community. He really is our last hope."

Dr Sultan, the founder and former chairman of the Misr Iran Development Bank (MIDB), would not necessarily welcome this sort of observation, but on the other hand he appears to sense that he carries the hopes of many Egyptian businessmen and not a few foreign embassies anxious to see an accelerated liberalisation of the economy.

He believes that in spite of his image of being a lone fighter within the government for economic rationalisation, "everyone else is becoming more oriented towards the privatisation issue."

He observes: "Whether we like it or not, there is no way we are going to get out of the economic crisis without introducing comprehensive economic reforms, not only of fiscal and monetary policy, but also of production and productivity. People are now much more convinced that the private sector can play an active role."

When he was appointed to the cabinet, he set out to prove that free market principles, when applied to the hitherto government-dominated tourism sector, would bring quick and beneficial results.

With more than a little luck and some bold initiatives he has been proved right. One of his first actions was to "open Egypt's skies" to charter flights in the face of powerful opposition led by EgyptAir, the national carrier. This put Egypt within reach of the mass tourism market. In 1987 the number of visitors increased by 100 per cent compared with 1986, due in part to the new policies and also to a general recovery in Middle East tourism.

He also set about "divesting" the government-owned and loss-making Egyptian Hotels Company (EHC) of its 18 hotels to private, and in almost all cases, foreign management. Helped by the tourism boom, EHC turned an operating loss of £E6.5m in 1985-86 into a modest profit in 1987-88.

Dr Sultan said that from his point of view the most important development here was not the turnaround in EHC's balance sheet, but the fact that foreign companies leasing some of Egypt's grand, historic hotels, such as the Cataracts in Aswan, had agreed to invest a total of £E60m on much-needed renovations.

Among EHC's 18 hotels, only the San Stefano on the waterfront at Alexandria has yet to be leased to private management, and this is not for want of trying by Dr Sultan.

His efforts in 1987 to sell the San Stefano to the al-Fayed brothers drew strong and emotional protests from government and opposition figures, and forced the historic hotel's withdrawal from sale.

For Dr Sultan it was a somewhat chastening experience and one that raised, not for the first or last time, the spectre of his early departure from the Cabinet. That he has stayed is a tribute to his tenacity and his sense of mission.

He admits today to having "lost partially" on the San Stefano, but he did manage to persuade the government to allow him to sell a half share in the hotel to investors. So far, there have been no takers.

Another of Dr Sultan's missions has been to liberalise the management of EgyptAir, a government-owned dinosaur which had built up an unenviable reputation for poor service and delays.

His initial efforts have been focused on introducing some new private sector blood on to the board of EgyptAir – it is not a "one-man show," he declares pointedly – and on encouraging the airline to embark on an aggressive programme of acquiring new aircraft.

The national carrier has committed itself to purchase and lease arrangements totalling about $1bn financed, Dr Sultan says proudly, from its own resources and borrowings. There has been no assistance from the government or central bank. He sees EgyptAir as an important test of his privatisation theories.

"Liberalisation is not just a word," he says, "but it needs to have a very detailed action programme." In the case of EgyptAir this has meant, apart from changing the complexion of the board, ensuring the airline becomes totally responsible for its own commitments.

He has also pushed aggressively for a much-needed improvement in ground catering services in Cairo in spite of EgyptAir's early opposition. The Ministry of Civil Aviation recently signed an agreement with six foreign airlines to establish a catering operation in competition with EgyptAir which itself, curiously, has taken a 20 per cent stake in the new venture.

Not all his "privatisation ventures" have proceeded smoothly. There was the case recently of the withdrawal by a foreign company from its lease of the duty free shops at the new Cairo airport terminal after it found that it could not "deliver" agreed minimum revenues to the government. This was something of a blow to Dr Sultan as he had fought hard against EgyptAir's objections – the national carrier had a monopoly of the duty free shops at the old airport – to ensure the lease went to the most competitive tenderer. He says of the experience: "From our side, it was a shock (when the foreign operator withdrew), but it did not cause us financial losses."

Dr Sultan has clear views about the path to privatisation, but he would be among the first to acknowledge the difficulties. His prescription involves the separation of the budget from government control (as has been done in the case of EgyptAir), raising additional capital (most Egyptian public enterprises are starved of investment) and the liberalisation of management.

"You cannot sell a losing company," he says. "You have to make it a success before offering it to the public." He is confident that if Egyptian public sector companies, most of which are unprofitable, were moved from the intensive care ward they would become attractive to investors.

He points out that unlike most developed and developing countries where "liquid money" – bank notes and deposits – within the banking system amounts to about 60 per cent of GNP, in Egypt it accounts for more than 100 per cent of GNP. "In a community like ours," he says, "finding that (such a state of affairs exists) represents a serious distortion . . . and reflects lack of investment opportunities." In the case of EgyptAir's borrowings, he asks, would it not be more desirable to offer bonds rather than be dependent on international syndicates and banks?

Dr Sultan has various schemes to advance his theories and to encourage public sector enterprises such as EgyptAir to begin thinking commercially. He has persuaded the national carrier, for example, to take a 25 per cent stake in an investment company to develop tourist facilities.

He is also talking about privatising part of the Misr Iran Development Bank (MIDB), presently owned 75 per cent by the public sector Bank of Alexandria and the Misr Insurance Company, and 25 per cent by Iran. The Egyptian partners have agreed to divest themselves of 25 per cent of their holdings to be offered to the public.

Employees of Bank of Alexandria, Misr Insurance, EgyptAir and the tourism and civil aviation ministries will be offered up to 10 per cent of the shares. The other 15 per cent will be reserved for EgyptAir itself and for public sector organisations under the tourism ministry.

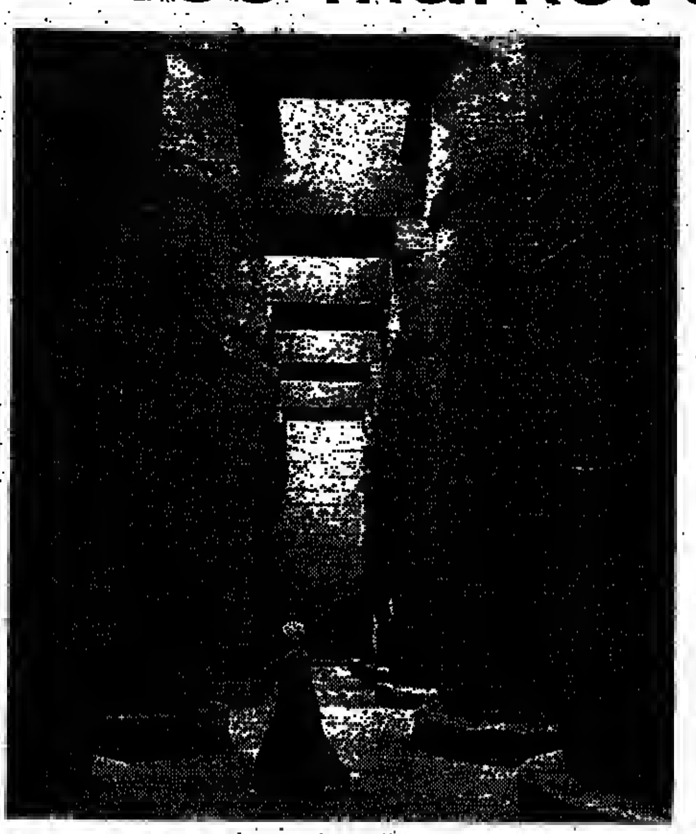
Dr Sultan wants to see his former investment bank develop as the "tourism bank," sponsoring development projects in tourism, and helping EgyptAir to continue with its modernisation programme.

The good news for the minister and for Egypt in an otherwise fairly bleak financial picture is that tourism revenues continue to be buoyant.

In the first four months of 1989, the number of visitors were up 11 per cent on the corresponding period last year. This compares with growth rates in other comparable markets of 4-5 per cent.

Dr Sultan has some reason for satisfaction. After nearly four years in the job, he has seen tourism revenues grow from less than $1bn annually to $2.2bn in 1988 (it is now by far Egypt's biggest hard currency earner with the exception of expatriate remittances).

In spite of his numerous critics, it would appear that Dr Sultan is doing something right.



Karnak Temple, one of Egypt's most popular attractions

MOTOR SECTOR

Assemble here

WHATEVER problems the foreign exchange shortage has caused for companies in Egypt, not everybody is complaining. For employees, dealers and suppliers of General Motors worldwide, it has brought an unexpected perk: the chance to go on a specially-priced package holiday.

In recent months, GM people have been flocking to Egypt from Europe, the US and Australia under a deal between GM's truck-assembly operation in Egypt and the government under which the GM subsidiary is allowed to retain a proportion of the foreign exchange generated by its tourism promotion efforts.

It is expected eventually to raise between $2m and $3m towards GM's total annual foreign exchange requirement of between $80m and $90m, and is one of the more ingenious stratagems dreamed up by companies hungry for hard currency to keep import-dependent operations in Egypt ticking over.

GM's chairman in Egypt, Mr Mohammad Razaq, says the company does not yet have a critical foreign exchange problem. In fact, 1988 was a relatively successful year for the Egyptian operation, a GM-Isuzu joint venture with Egyptian and Saudi investors assembling one-toune Isuzu pick-ups from kits imported from Japan. The company, which started up three and a half years ago, may only have turned out 8,000 trucks last year against a design capacity of 25,000 and a licensed capacity of 18,200, but its profits rose 12-fold thanks to tight controls on spending and inventory and to reduced production shifts.

Output from the plant at 6th October City outside Cairo is as low as it is, says Mr Razaq, mainly because demand for trucks is depressed. He is desperately anxious to use his idle capacity to assemble luxury Chevrolet cars, but the government has yet to approve such a project and may well be reluctant to do so in the present atmosphere of ostensible austerity.

GM is probably the largest foreign investor in Egyptian industry, however, and it is certainly not immune from the foreign exchange crisis. Apart from offering cut-price holidays, it has been forced to consider various ways of circumventing the squeeze, including barter of aluminium or cotton. It has also put effort into building up local suppliers of basic components such as doors, seats and windscreens, taking the local content of GM Egypt's products up to a current level of 40 per cent.

But the company may not be able to take that process much further, and Mr Razaq admits he is worried about keeping things going in the next couple of years. "We are coping with the situation, but it's getting worse every month," he says. "For most business people who have to import raw materials, the future is a matter of grave concern."

Andrew Gowers

BALANCE OF PAYMENTS ($m)	FY85/86	FY86/87	FY87/88
TRADE BALANCE	-4,978	-5,059	-5,905
Exports (f.o.b)	3,576	2,264	3,274
of which petroleum (crude and products)	2,378	906	1,583
Imports (c.i.f)	-8,554	-7,323	-9,179
SERVICES BALANCE	-150	776	1,937
Receipts	3,444	4,016	4,571
of which Suez Canal dues	1,026	1,148	1,269
Investment income	534	614	623
Tourism	315	380	884
PAYMENTS	-3,599	-3,238	-2,634
of which interest payments	-1,292	-1,094	-783
TRANSFERS	3,480	3,357	3,424
Government	507	345	39
Worker remittances	2,973	3,012	3,385
Current account balance	-1,653	-924	-544
Long term capital balance	994	892	1,521
Balance on current and long term capital payments	-659	-32	977
Additions to debt service arrears	1,300	500	-
Total external debt	3,770	4,040	4,310

Source: Official statistics

Race to find new land

Continued from Page 2

of the Nile Delta. One important criteria is that land to be reclaimed should not rise more than 100 feet above the Nile lest pumping costs make such land use uneconomic.

The projects are:

■ A scheme to the west of the Delta which is already yielding results as the Nasr canal, utilising Nile waters, pushes out towards el Alamein on the coast. Land is being opened up in previously desert areas to the west of the main Cairo-Alexandria desert road.

■ The North Sinai Project to the east of the Delta, which is proceeding slowly but plans are afoot to speed it up. A canal has been constructed that connects the east Nile tribntary below the coastal town of Damietta with a point 29 km south of Port Said on the Suez Canal 90 km away. The next stage will be to build a tunnel under the canal to carry water to the northern Sinai near el-Arish and along the east bank of the canal.

Dr el-Beltagi believes that these two projects, once completed, will make a big difference to Egypt's farming capacity. In the case of the Nasr canal project, 90,000 acres out of 450,000 acres has already been reclaimed in a project that is expected to be completed by 1993.

The North Sinai project envisages reclaiming 450,000 acres in two stages. The first stage of 250,000 acres is expected to take four years with the entire project being completed in a further two years. Total cost would reach $1.5bn. Egypt is considering various "siphon systems" to transport water under the canal. Tenders for a $40m highly sophisticated pumping system are being invited.

Egypt also has to resolve whether the tunnel under the Suez canal south of Port Said will be simply a water carrier, or whether it will be extended to accommodate road and rail transport as well. Dr el-Beltagi said organisations such as the World Bank had expressed interest in funding the North Sinai irrigation scheme and tunnel project.

The reclamation programme is aimed at providing jobs for the young unemployed, and at attracting local and foreign investors. Twenty per cent of land reclaimed is offered in small lots of up to five acres on generous credit terms to young "pioneers." The remaining 80 per cent is divided between individuals whose maximum holding can be 300 acres and companies with an upper limit of 50,000 acres.

Land is being sold at a little above cost, estimated to be be between £E2,500 and £E5,000 per acre. Land reclaimed can be used for a variety of purposes, including fish farming, horticulture, agro-industrial complexes and dairy farms.

Dr el-Beltagi said results from land recently opened up along the Nasr canal indicated that spectacular returns were possible, although he admitted there had been failures. The authorities are trying to stimulate private sector investment and hope to accelerate the process by giving quick approvals for land purchases and minimising bureaucratic interference. However, investors are still likely to approach these projects cautiously.

One attraction for investors in new land schemes is that the Government has pledged not to impose quotas or cropping requirements on pioneer farmers, unlike in the Delta and Nile Valley where farmers are obliged to grow so-called "government crops" such as cotton and sugar or risk penalties.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday May 26, 1989. . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	62.4606	31.4082	44.1601
Albania (Lek)	10.0653	6.3343	3.1852	4.4784
Algeria (Dinar)	12.1352	7.6370	3.8402	5.3994
Andorra (Fr Fr)	10.7025	6.7353	3.3868	4.7619
(Sp Peseta)	197.80	124.4808	62.5949	88.0088
Angola (Kwanza)	49.1495	30.9310	15.5536	21.8685
Antigua (E Carr $)	4.30	2.7061	1.3607	1.9132
Argentina (Austral)	302.875	190.6073	95.8465	134.7608
Aruba (Florin)	2.8524	1.7950	0.9026	1.2691
Australia (Aus $)	2.1115	1.3288	0.6681	0.9394
Austria (Schilling)	22.145	13.9364	7.0079	9.8531
Azores (Port Escudo)	260.70	164.0654	82.5000	115.9955
Bahamas (Bahama $)	1.5890	1	0.5028	0.7070
Bahrain (Dinar)	0 6018	0.3787	0.1904	0.2677
Balearic Is (Sp Peseta)	197.80	124.4808	62.5949	88.0088
Bangladesh (Taka)	53.00	33.3543	16.7721	23.5817
Barbados (Barb $)	3.2050	2.0169	1 0142	1.4260
Belgium (Belg Fr)	65.85c	41.4411	20.8386	29.2992
	65.55g	41.2523	20.7436	29.1657
Belize (B $)	3.1870	2.0056	1.0085	1.4180
Benin (CFA Fr)	535.12	336.7652	169 3417	238.0956
Bermuda (Bermudian $)	1.5890	1	0.5028	0.7070
Bhutan (Ngultrum)	27.00	16.9918	8.5443	12.0133
Bolivia (Boliviano)	4.1272	2.5973	1.3060	1.8363
Botswana (Pula)	3.4725	2.1853	1.0988	1.5450
Brazil (Cruzado)	1.8010	1.1334	0.5699	0.8013
British Virgin Is (US $)	1.5890	1	0.5028	0.7070
Brunei (Brunei $)	3.1295	1.9694	0.9903	1.3924
Bulgaria (Lev)	1.4405	0.9065	0.4558	0.6409
Burkino Faso (CFA Fr)	535.12	336.7652	169 3417	238.0956
Burma (Kyat)	11 3484	7.1418	3.5912	5.0493
Burundi (Burundi Fr)	262.50	165.1982	83.0696	116.7964
Cameroon (CFA Fr)	535.12	336.7652	169.3417	238.0956
Canada (Canadian $)	1.9160	1.2057	0.6063	0.8525
Canary Is (Sp Peseta)	197.80	124.4808	62.5949	88.0088
Cp. Verde Is (CV Escudo)	130.7546	82.2873	41.3780	58.1777
Cayman Is (CI $)	1.3226	0.8323	0.4185	0.5884
Cent.Afr. Rep (CFA Fr)	535.12	336.7652	169.3417	238.0956
Chad (CFA Fr)	535.12	336.7652	169.3417	238.0956
Chile (Chilean Peso)	407.70	256.5764	129.0189	181.4015
China (Renminbi Yuan)	5.8622	3.6892	1.8551	2.6083
Colombia (Col Peso)	595.47	374.7451	188.4398	264.9477
Comoro Is (CFA Fr)	535.12	336.7652	169.3417	238.0956
Congo (Brazz) (CFA Fr)	535.12	336.7652	169.3417	238.0956
Costa Rica (Colon)	126.1255	79.3741	39.9131	56.1181
Cuba (Cuban Peso)	1.2136	0.7637	0.3840	0.5399
Cyprus (Cyprus £)	0.8270	0.5204	0.2617	0.3679
Czechoslovakia (Koruna)	25.49c	16.0415	8.0664	11.3414
	16.52i	10.3964	5.2278	7.3503
	16.52t	10.3964	5 2278	7.3503
Denmark (Danish Kroner)	12.2275	7.6950	3.8694	5.4404
Djibouti Rep (Djib Fr)	280.00	176.2114	88.6075	124.5828
Dominica (E Carrib $)	4.30	2.7061	1.3607	1.9132
Dominican Rep (D Peso)	10.2143	6.4281	3.2323	4.5447
Ecuador (Sucre)	797.80o	502.0767	252.4683	354.9721
	876.70a	551.7306	277.4367	390.0778
Egypt (Egyptian £)	4.0600	2.5550	1.2848	1.8064
El Salvador (Colon)	7.9700	5.0157	2.5221	3.5461
Equat'l Guinea (CFA Fr)	535.12	336.7652	169.3417	238.0956
Ethiopia (Ethiopian Birr)	3.2999	2.0767	1.0442	1.4682
Falkland Is (Falk £)	1.00	0.6293	0.3164	0.4449
Faroe Is (Danish Kroner)	12.2275	7.6950	3.8694	5.4404
Fiji Is (Fiji $)	2.3636	1.4874	0.7479	1.0516
Finland (Markka)	7.0428	4.4322	2.2287	3.1336
France (Fr)	10.7025	6.7353	3.3868	4.7619
Fr. Cty/Africa (CFA Fr)	535.12	336.7652	169.3417	238.0956
Fr. Guiana (Local Fr)	10.7025	6.7353	3.3868	4.7619
Fr. Pacific Is (CFP Fr)	194.00	122.0893	61.3924	86.3181
Gabon (CFA Fr)	535.12	336.7652	169.3417	238.0956
Gambia (Dalasi)	10.0072	6.2977	3.1668	4.4525
Germany East (Ostmark)	3.1600	1.9886	1	1.4060
Germany West (DMark)	3.1600	1.9886	1	1.4060
Ghana (Cedi)	426.2655	268.2602	134.8941	189.6620
Gibraltar (Gib £)	1.00	0.6293	0.3164	0.4449
Greece (Drachma)	268.55	169.0056	84.9841	119 4883

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Greenland (Danish Krone)	12.2275	7.6950	3.8694	5.4404
Grenada (E Carr $)	4.30	2.7061	1.3607	1.9132
Guadaloupe (Local Fr)	10.7025	6.7353	3.3868	4.7619
Guam (US $)	1.5890	1	0.5028	0.7070
Guatemala (Quetzal)	4.3755	2.7536	1.3846	1.9468
	-			
Guinea (Fr)	478.05	300.8495	151.2816	212.7030
Guinea-Bissau (Peso)	1035.775	651.8407	327.7768	460.8565
Guyana (Guyanese $)	48.00	30.2076	15.1898	21.3570
Haiti (Goude)	7.9675	5.0141	2.5213	3.5450
Honduras (Lempira)	3.1880	2.0062	1.0088	1.4184
Hong Kong (HK $)	12.4758	7.8513	3.9480	5.5509
Hungary (Forint)	98.9365	62.2633	31.3090	44.0206
Iceland (Icelandic Krona)	90.25	56.7967	28.5601	40.1557
India (Indian Rupee)	27.00	16.9918	8.5443	12.0133
Indonesia (Rupiah)	2821.54	1775.6702	892.8924	1255.4126
Iran (Rial)	118.50	74.5752	37.5000	52.7252
Iraq (Iraqi Dinar)	0.50125	0.3154	0.1586	0.2230
Irish Rep (Punt)	1.1840	0.7451	0.3746	0.5268
Israel (Shekel)	3.0400	1.9131	0.9620	1.3526
Italy (Lira)	2283.00	1436.7526	722.4683	1015.7953
Ivory Coast (CFA Fr)	535.12	336.7652	169.3417	238.0956
Jamaica (Jamaican $)	8.6150	5.4216	2.7262	3.8331
Japan (Yen)	224.75	141.4411	71.1234	100
Jordan (Jordanian Dinar)	0.8573	0.5395	0.2712	0.3814
Kampuchea (Riel)	158.90	100	50.2848	70.7007
Kenya (Kenya Shilling)	32.60	20.5160	10.3164	14.5050
Kiribati (Australian $)	2.1115	1.3288	0.6681	0.9394
Korea North (Won)	1.5457	0.9727	0.4891	0.6877
Korea South (Won)	1063.05	669.0056	336.4082	472.9922
Kuwait (Kuwaiti Dinar)	0.47445	0.2985	0.1501	0.2110
Laos (New Kip)	876.425	551.5575	277.3496	389.9555
Lebanon (Lebanese £)	825.80	519.6979	261.3291	367.4304
Lesotho (Maluti)	4.3715	2.7511	1.3833	1.9450
Liberia (Liberian $)	1.5890	1	0.5028	0.7070
Libya (Libyan Dinar)	0.4879	0.3070	0.1543	0.2170
Liechenstein (Swiss Fr)	2.7575	1.7353	0.8726	1.2269
Luxembourg (Lux Fr)	65.85	41.4411	20.8386	29.2992
Macao (Pataca)	12.8081	8.0604	4.0531	5.6988
Madeira (Port Escudo)	260.70	164.0654	82.5000	115.9955
Malagasy Rep (MG Fr)	2440.00	1535.5569	772.1518	1085.6507
Malawi (Kwacha)	4.4975	2.8303	1.4232	2.0011
Malaysia (Ringgit)	4.3135	2.7146	1.3650	1.9192
Maldive Is (Rufiya)	13.4013	8.4337	4.2409	5.9627
Mali Rep (CFA Fr)	535.12	336.7652	169.3417	238.0956
Malta (Maltese £)	0.5705	0.3590	0.1805	0.2538
Martinique (Local Fr)	10.7025	6.7353	3.3868	4.7619
Mauritania (Ouguiya)	119.5125	75.2123	37.8204	53.1757
Mauritius (Maur Rupee)	24.80	15.6073	7.8481	11.0344
Mexico (Mexican Peso)	3931.23a	2474.0276	1244.0601	1749.1568
	3853.08d	2424.8458	1219.3291	1714.3848
Miquelon (Local Fr)	10.7025	6.7353	3.3868	4.7619
Monaco (French Fr)	10.7025	6.7353	3.3868	4.7619
Mongolia (Tugrik)	5.3470	3.3650	1.6920	2.3790
Montserrat (E Carr $)	4.30	2.7061	1.3607	1.9132
Morocco (Dirham)	13 77	8.6658	4.3575	6.1268
Mozambique (Metical)	1150.75	724.1976	364.1613	512.0133
Namibia (S A Rand)	4.3715	2.7511	1.3833	1.9450
Nauru Is (Australian $)	2.1115	1.3288	0.6681	0.9394
Nepal (Nepalese Rupee)	38.2440	24.0679	12.1025	17.0162
Netherlands (Guilder)	3.5600	2.2404	1.1265	1.5839
N'nd Antilles (A/Guilder)	2.8683	1.8050	0.9076	1.2762
New Zealand (NZ $)	2.6950	1.6960	0.8528	1.1991
Nicaragua (Cordoba)	11795.60	7423.2850	3732.7848	5248.3203
Niger Rep (CFA Fr)	535.00	336.6897	169.3037	238.0422
Nigeria (Naira)	11.7179	7.3743	3.7081	5.2137
Norway (Nor. Krone)	11.3025	7.1129	3.5767	5.0289
Oman (Rial Omani)	0.6145	0.3867	0.1944	0.2734
Pakistan (Pak. Rupee)	34.00	21.3971	10.7594	15.1279
Panama (Balboa)	1.5890	1	0.5028	0.7070
Papua New Guinea (Kina)	1.3559	0.8533	0.4290	0.6032
Paraguay (Guarani)	-			
	1721.52	1083.3983	544.7848	765.9710

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Peru (Inti)	-			
	4436.10a	2791.7958	1403.8291	1973.7931
Philippines (Peso)	34.00	21.3971	10.7594	15.1279
Pitcairn Is (£ Sterling)	1.00	0.6293	0.3164	0.4449
(NZ $)	2.6950	1.6960	0.8528	1.1991
Poland (Zloty)	1316.00	828.1938	416.4556	585.5394
Portugal (Escudo)	260.70	164.0654	82.5000	115.9955
Puerto Rico (US $)	1.5890	1	0.5028	0.7070
Qatar (Riyal)	5.8125	3.6579	1.8393	2.5862
Reunion Is. de la (F Fr)	10.7025	6.7353	3.3868	4.7619
Romania (Leu)	14.78	9.3014	4.6772	6.5761
Rwanda (Fr)	134.07	84.3738	42.4272	59.6529
St Christopher (E Carr $)	4.30	2.7061	1.3607	1.9132
St Helena (£)	1.00	0.6293	0.3164	0.4449
St Lucia (E Carr $)	4.30	2.7061	1.3607	1.9132
St Pierre (French Fr)	10.7025	6.7353	3.3868	4.7619
St Vincent (E Carr $)	4.30	2.7061	1.3607	1.9132
San Marino (Italian Lira)	2283.00	1436.7526	722.4683	1015.7953
Sao Tome (Dobra)	167.2848	105.2767	52.9382	74.4315
Saudi Arabia (Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Senegal (CFA Fr)	535.12	336.7652	169.3417	238.0956
Seychelles (Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sierra Leone (Leone)	102.00	64.1913	32.2784	45.3837
Singapore ($)	3.1295	1.9694	0.9903	1.3924
Solomon Is ($)	[illegible]	[illegible]	[illegible]	[illegible]
Somali Rep (Shilling)	653.335	411.1611	206.7515	290.6941
South Africa (Rand)	4.3715c	2.7511	1.3833	1.9450
	6.6543a	4.1877	2.1057	2.9607
Spain (Peseta)	197.80	124.4808	62.5949	88.0088
Spanish Ports in N Africa (Sp Peseta)	197.80	124.4808	62.5949	88.0088
Sri Lanka (Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sudan Rep (£)	[illegible]	4.5127	2.2692	[illegible]
Surinam (Guilder)	2.8444	1.7900	0.9001	1.2659
Swaziland (Lilangeni)	4.3715	2.7511	1.3833	1.9450
Sweden (Krona)	10.5900	6.6645	3.3512	4.7119
Switzerland (Fr)	2.7575	1.7353	0.8726	1.2269
Syria (£)	33.4635	21.0594	10.5897	14.8892
Taiwan ($)	41.45	26.0855	13.1170	18.4437
Tanzania (Shilling)	217.80	137.0673	68.9240	96.9076
Thailand (Baht)	[illegible]	[illegible]	[illegible]	[illegible]
Togo Rep (CFA Fr)	535.12	336.7652	169.3417	238.0956
Tonga Is (Pa'Anga)	2.1115	1.3288	0.6681	0.9394
Trinidad/Tobago ($)	6.7724	4.2620	2.1431	3.0133
Tunisia (Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Turkey (Lira)	3368.95	2120.1699	1066.1234	1498.9766
Turks & Caicos (US $)	1.5890	1	0.5028	0.7070
Tuvalu (Australian $)	2.1115	1.3288	0.6681	0.9394
Uganda (New Shilling)	315.39	198.4833	99.8069	140.3292
U A E (Dirham)	[illegible]	3.6730	1.8470	[illegible]
United Kingdom (£)	1.00	0.6293	0.3164	0.4449
United States (US $)	1.5890	1	0.5028	0.7070
Uruguay (Peso)	[illegible]	558.2504	280.7151	394.6874
USSR (Rouble)	1.0000	[illegible]	[illegible]	[illegible]
Vanuatu (Vatu)	177.0	111.3908	56.0126	78.7541
Vatican (Lira)	2283.00	1436.7526	722.4683	1015.7953
Venezuela (Bolivar)	60.84	[illegible]	19.2531	27.0700
Vietnam (Dong)	7170.75	4512.7438	2269.2246	3190.5450
Virgin Is-British (US $)	1.5890	1	0.5028	0.7070
Virgin Is-US (US $)	1.5890	1	0.5028	0.7070
Western Samoa (Tala)	3.6500	2.2970	1.1550	1.6240
Yemen (Rial)	16.20	10.1950	5.1265	7.2080
Yemen PDR (Dinar)	0.5466	0.3439	0.1729	0.2432
Yugoslavia (Dinar)	21049.44	13246.9729	6661.2151	9365.7130
Zaire Rep (Zaire)	599.77	377.4512	189.8006	266.8609
Zambia (Kwacha)	16.80	10.5726	5.3164	7.4749
Zimbabwe ($)	3.2850	2.0673	1.0395	1.4616

Special Drawing Rights May 25, 1989 United Kingdom £0.788442 United States $1.24085 Germany West D Mark N/A Japan Yen175.953 European Currency Unit Rates May 26, 1989 United Kingdom £0.659911 United States $1.06312 Germany West D Mark 2.07999 Japan Yen148.730

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday May 26, 1989.

Joint announcement

RM
RAND MINES

Durban Roodepoort Deep, Limited
(Incorporated in the Republic of South Africa)
Registration Number 01/00926/06

East Rand Proprietary Mines, Limited
(Incorporated in the Republic of South Africa)
Registration Number 01/00773/06

Possible discontinuance of mining operations

At prevailing gold prices:
- the underground operations at the mine owned by Durban Roodepoort Deep, Limited are generating substantial losses; and
- the mine owned by East Rand Proprietary Mines, Limited continues to incur losses.

Alternative operating strategies to avoid further losses have been evaluated. An early improvement in the gold price to levels which would enable these mines to operate profitably is not foreseen.

The respective boards of directors have concluded, after careful consideration of all the facts, that financial assistance from the Government of the Republic of South Africa will be necessary if each of these mines is to continue its operations. Approaches for such assistance were made to the Government by each company just over a week ago.

Discussions with the Government have continued on an urgent basis and no final decision has been taken. A further announcement will be made as soon as practicable.

Meanwhile to protect shareholders' interests, the listing of the shares of each company will remain suspended on The Johannesburg Stock Exchange, the International Stock Exchange in London and the Paris Bourse.

Registered office
15th Floor
The Corner House
63 Fox Street
Johannesburg 2001
25 May 1989

London office
40 Holborn Viaduct
London EC1P 1AJ

Member of the Barlow Rand Group

APPOINTMENTS

Exco board posts

■ EXCO INTERNATIONAL has appointed the following to the board: Mr Peter Edge, managing director, Godsell, Astley & Pearce (Eurocurrency Deposits), London; Mr Goh Say Jim, managing director, Astley & Pearce (Pte), Singapore; Mr Anthony Sciametta, executive vice president, Noonan, Astley & Pearce Inc, New York; and Mr Wilson Wong, managing director, Astley & Pearce (Hong Kong), Hong Kong.

■ Mr Alan Pedder, managing director of ICI Fibres, has been elected president of the BRITISH TEXTILE CONFEDERATION.

■ Mr Anthony Pedley has been appointed head of the global custody services unit based in London for BANK OF AMERICA NT & SA. He succeeds Mr Robert Darmanin who transfers to the bank's headquarters in San Francisco.

■ THE SPRING RAM CORPORATION has appointed to the group main board: Mr David Riley, responsible for all bathroom product operations; Mr Martin Croxen, managing director of Ramfield, property and financial services subsidiary; and Mr Mark Raven, company secretary.

■ Mr Peter K. Wilde has been appointed to the board of VIKING RESOURCES TRUST, following the resignation of Mr James C. Grundy. Mr Grundy has also resigned from the board of Aviva Petroleum, following the sale of his interest in Ferris Investments.

■ Dr Klaus Gerlach has succeeded Mr Helge Wehmeir as AGFA-GEVAERT's UK board member, based in European headquarters in Germany. Dr Gerlach is chairman of the group, a Bayer subsidiary. Mr Adrian Day has been appointed director of finance and administration on the board of Agfa-Gevaert, UK.

■ Mr John Lutterloch has been appointed sales director of WESTERN INDUSTRIAL FINANCE COMPANY. He was managing director of Baltic Leasing.

■ EASTERN COUNTIES NEWSPAPERS has appointed Mr Martin Bennett as financial director. He remains company secretary. Mr Lawrence Sear becomes editorial director, and remains editor of the Eastern Daily Press. Mr Peter Keel, business development manager, is promoted to marketing director. Mr Ken Hustler is made director of operations, and Mr Jim Duncan director of information systems.

■ Mr Tony King-Smith has joined LSI LOGIC EUROPE as technical director at Sidcup. He was with Niche Technology.

■ FENCHURCH INSURANCE BROKERS has appointed Mr Jeff Davies as managing director of Fenchurch North Western, the company's Manchester office. This follows acquisition of his company, Davies and Perfect (Northern), and its merger with the Fenchurch Manchester office. His partner, Mr George Perfect, becomes a director of Fenchurch North Western.

■ PROTEUS GROUP has appointed Mr Graham Margetson as chairman. Mr David Gray becomes managing director of the largest subsidiary, Computer Business Centres (CBC). Mr Chris Butler is made technical director, and Mr Michael Wright financial director, of CBC. Three regional directors, Mr Joe Connolly, Mr Alastair Mathewson and Mr Kevin McGirl, have been appointed to the board of CBC. Mr Margetson also becomes managing director of another subsidiary, Proteus Software, with Mr Charles Badenoch as finance director, Mr Shaun McCarthy as marketing director, Mr Howard Torvey as divisional director, and Mr Robert Davison as director of software development.

■ Captain David Richards, chief pilot of ELLAN-VANNIN AIRLINES, Bournemouth, has been appointed to the main board.

■ Mr Barry Norris has been appointed director of personnel and training for the DUTTON-FORSHAW MOTOR GROUP. He was personnel manager, Lancer Boss Group.

■ Mr John Clement, service director of IVECO FORD TRUCK, is due to retire in 1990 and until then will undertake special assignments. Mr Ian Esland, southern district sales manager, has been appointed to succeed Mr Clement as service director.

H.P. BULMER HOLDINGS has appointed Mr Michael Ward (above) as group financial director from June 19. He was group finance director of Bassett Foods.

■ PINNACLE INSURANCE COMPANY, a subsidiary of Woodchester Investments, has appointed Mr Christopher Schwick and Mr Norman Shaker as joint managing directors; Mr Anthony Claytor as general manager operations; Mr John McGivern as sales manager; and Mr Stephen Williams as training manager.

■ Dr Andrew Bevan has been appointed director, fixed interest research, at WestLB UK. Previously a first vice president with Drexel Burnham Lambert in London, he will be responsible for international bond strategy.

Cheltenham & Gloucester promotions

CHELTENHAM & GLOUCESTER BUILDING SOCIETY has promoted Mr Roger Burden, (left) general manager (information systems), to information systems director; and Mr David Barnes, (centre) general manager (finance), becomes finance director. Mr David Bennett (right) has been appointed treasurer. He was assistant treasurer.

General Mining Union Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration number 01/01232/06)
("Gencor")

PROPOSED RIGHTS OFFERS AND LAST DAY TO REGISTER

Central Merchant Bank Limited is authorised to announce that:

- the directors of Gencor have decided to proceed with a rights offer of 20 new ordinary shares in Gencor for every 100 capital units in issue; and
- the directors of Federale Mynbou Beperk ("Fedmyn"), the controlling shareholder of Gencor, have decided to proceed with a simultaneous rights offer of 22 new ordinary shares in Fedmyn for every 100 capital units in issue to enable Fedmyn to follow its rights in the Gencor rights offer.

Holders of ordinary shares, 8.5% variable compulsorily convertible cumulative preference shares and 12.5% unsecured subordinated compulsorily convertible debentures in Gencor and Fedmyn registered as such at the close of business on Friday, 23 June 1989 will be entitled to participate in their respective rights offers.

The proceeds arising out of the Gencor rights offer will be utilised primarily to finance Gencor's growth programmes and to enable it to accelerate the development of its existing businesses. The Gencor group has in recent years been successful with a number of major projects and acquisitions. There are further projects which are currently being worked on throughout the group. The rights offer will thus enable Gencor to maintain the momentum of its growth and will place the group in a favourable position to exploit new investment opportunities.

Application will be made to:

- The Johannesburg Stock Exchange for the granting of a listing of the renounceable (nil paid) letters of allocation and the new ordinary shares in Gencor and Fedmyn to be issued in terms of the rights offers;
- The Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited for admission to the Official List of the new ordinary shares in Gencor to be issued in terms of the rights offer.

In order to implement the rights offer in Gencor, ordinary shareholders of Gencor will be asked to approve a special resolution converting the issued and unissued authorised S ordinary shares into ordinary shares in the share capital of Gencor. A notice convening a general meeting to be held on 19 June 1989 was posted to shareholders on Friday, 26 May 1989. Fedmyn has sufficient unissued authorised ordinary shares to allow for its right offer.

Shareholders and debentureholders of Gencor and Fedmyn will be advised of further details including the terms regarding the proposed rights offers through the medium of the press. Circulars setting out details regarding the proposed rights offers are in the process of preparation and will be mailed to shareholders and debentureholders in due course.

Senbank
Central Merchant Bank Limited
(Registered Bank)
(Registration number 55/01742/06)

Johannesburg, 29 May 1989

FINANCIAL TIMES SURVEY

The region's industry suffered in the recession of the early 1980s. Even the prospering chemical sector is not the source of jobs that it once was. The need to innovate is clear, says Hazel Duffy, and the area's natural beauty is proving a spur to investment in tourism.

Roger Taylor

Sunset over Grangemouth (the possibility is being explored of linking tourism to the petro-chemical complex - see page 2) . . . and Stirling Castle, where promoters have new attractions in mind

Central Region of Scotland

The periphery fights back

CENTRAL REGION is the wedge in the middle that was left over after Scotland had been carved up into administrative areas. It does not have the population and the spending power of neighbouring Strathclyde and West Lothian, which are centred on the cities of Glasgow and Edinburgh.

It does, however, sit conveniently at the confluence of Scotland's motorway system. The west of the region boasts fine scenery over to Loch Lomond. In Grangemouth, on the River Forth, it has the largest port on the east coast of Scotland. And it has a tradition of industrial activity which, in microcosm, reflects the development of industry in Scotland.

The impressively-sited town of Stirling, at the centre of the region, is dominated by its castle, which still serves to emphasise the strategic location of the town between the lowlands and highlands of Scotland.

The castle and the old town put Stirling firmly on the tourist map. Stirling council drew up an ambitious programme, which would have included contracting out the management of the castle (a national monument) and making it more accessible to the main part of the town. The plan is being assessed by the Scottish Development Agency, following certain objections to the scheme by the Scottish Office.

But the initiative by the council, to make an economic virtue of its medieval past, illustrates the way in which the public authorities, increasingly working with the private sector, are trying to find a more secure base for the economy of the region.

Industry suffered severely in the recession of the early 1980s. Few companies were immune. The decline in engineering jobs hit a region which had already suffered the pit closures. Now, the chemicals industry, situated at Grangemouth, is enjoying the upside of the demand cycle, and planning to invest in new capacity. But chemicals and oil refining are not the source of jobs that they were a few years ago.

The need to innovate and adapt stares much of central Scotland in the face. It is similar for all the regions of Europe which lie away from the geographical centre of the European Community. What can they do to ensure that they remain competitive in the European market? What can they offer which will compensate for their location on the periphery?

The natural beauty of Scotland beckons tourists. Loch Lomond, Stirling and the Trossachs have a quality of their own which cannot be replicated elsewhere. The challenge lies in the provision of facilities for the increasingly discerning tourist, and in good marketing.

The tourist board and local councils are concerned to maximise the revennes and employment from tourism, without damaging its attractions.

Investment plans totalling £70m for the region are being finalised, most of them in the Loch Lomond area where top-class hotels are planned, with golf courses and conference facilities to attract the business market. Stirling will also soon boast a new hotel.

The shrinking industrial base means that the other main towns in the region – Falkirk and Alloa – cannot afford to be left out. Here, some feature has to be highlighted to persuade tourists to linger. Around Falkirk, it is Roman remains, in the Clackmannan district the mill trail focuses on the past and present wool industry.

Falkirk, Stirling and Alloa were once the centre of the coal mining industry. There are still iron foundries, a reminder of the role they once played in the development of the area.

But the future has to be different. Towns like these all around Britain can no longer afford to take second place to the industrial dominance that gave them their livelihoods in the past. Image is important. They must be attractive to potential investors, and offer the sort of homes that the managers in the new technological and service industries want to live in.

Falkirk is in tha throes of smartening itself up. Pedestrianisation and one-way traffic schemes are being introduced, to allow the central district to be revealed.

The region has not been a prime target for investment by American and Japanese companies, and this has been a disappointment to the authorities. Blame is scattered at the doors of various institutions, but Livingston and Cumbernauld, close by, have provided stiff competition. Wang, located on the campus of Stirling University, is a notable exception. Set up five years ago, it has not, however, proved to be the catalyst that would make others follow.

Service industries, apart from tourism, are not well represented in the region. The major exception is Scottish Amicable, which relocated its head office from Glasgow to a 300-year-old house about a mile outside Stirling many years ago.

The decision was made after a senior manager who lived in the area heard of the opportunity. On the whole, it has worked well. New offices have been added in the town. But big decisions on relocation are not often made quite so simply. Others have not followed.

Office development has been minimal in the region. In Stirling, the natural centre for such development, demand has been satisfied mainly by the conversion of Victorian houses into offices.

Now, the regional and local councils, with the support of the Scottish Development Agency, are attempting to establish an office market. A speculative business centre will be built, and more conversions and some new developments are in the pipeline. Rents are rising, and fuelling interest from the private sector. But it is still early days.

The authorities must play a major rola in sectors where developer interest has not materialised. Demand for industrial units is strong, but the impetus to meet this demand is coming from the public sector. The third phase of the innovation park based around Stirling University is planned – a measure of the success of the original venture, which now houses about 20 small companies, most of them having research links with the university.

Stirling University is the newest and smallest in Scotland. Its short life has been highly vulnerable, and closure was threatened at one time. But it is now much closer than most universities to the sort of financial support structure that the Government will demand as the norm.

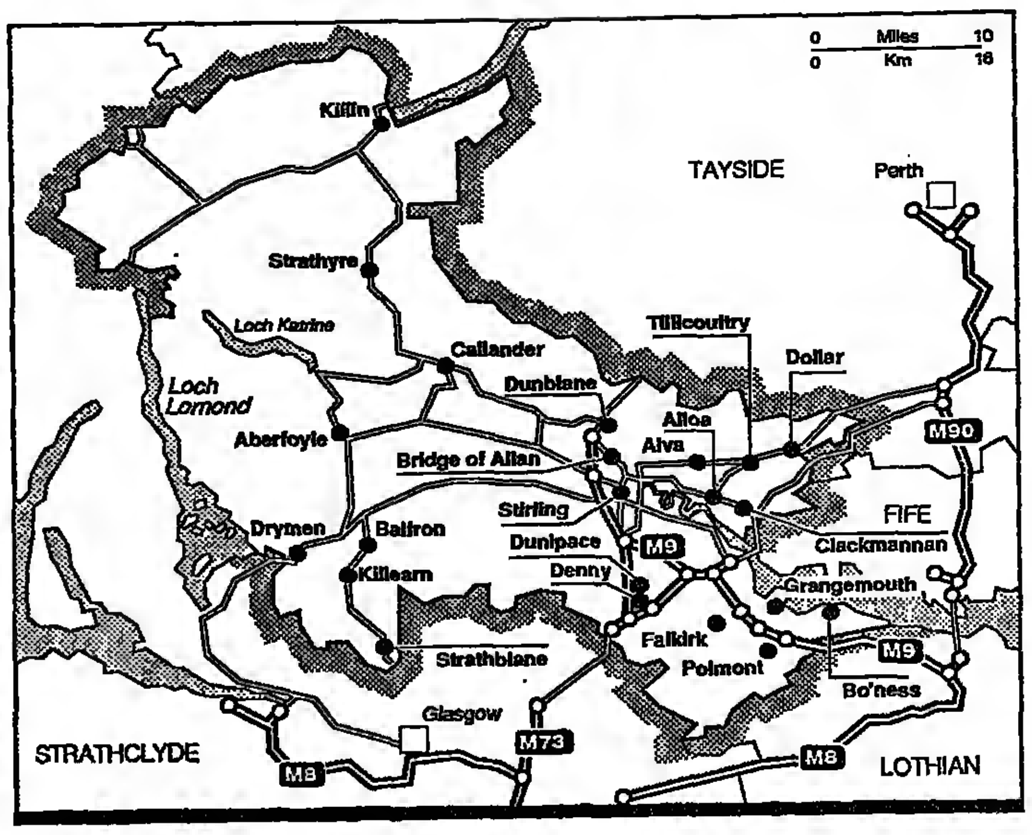
The Scottish Enterprise Foundation, set up within the university, has established a reputation for innovation and resourcefulness in its short life, and with a relatively small income.

Continued on next page

THE REGION AND ITS PEOPLE

Population (1988)	272,600
Population by age group:	
Working age	62 per cent
School age	15 per cent
Under-fives	6 per cent
Over-65	17 per cent
Employment:	
Total workforce	131,000
Primary/Energy sector	6 per cent *(Scotland 5.3 per cent)*
Manufacturing	25.5 per cent *(22.8 per cent)*
Construction	6.4 per cent *(7.3 per cent)*
Service	62.6 per cent *(64.6 per cent)*
Unemployment (March 1989)	11.8 per cent
(Scotland)	11.5 per cent
(UK)	7.7 per cent
Salaries (1987):	
Secretary	£7,221
Personnel manager	£20,400
Accountant (book-keeper)	£9,618
Accountant (senior)	£16,381
Computer programmer	£10,839
Electronics engineer	£12,049
Hourly wage rates (1987):	
Light assembler	£3.30
Semi-skilled production operator	£3.69
Lathe operator (turner)	£4.25
Machine tool-setter	£3.72
Plant labourer	£3.48

Sources: Central Region Council; SDA



■ PAGE 2: INDUSTRY; TOURISM / ■ PAGE 3: STIRLING UNIVERSITY; SCOTTISH AMICABLE

The petro-chemical complex, at Grangemouth

INDUSTRY

Chemical reaction fails to create jobs

HAVING BEEN battered in the recession, industry in Central Scotland today shows signs of some vigour.

The chemicals business, particularly, is expanding again, following a massive retrenchment in the early 1980s.

The relative robustness is welcome in Grangemouth, site of Scotland's largest concentration of chemical companies. There, market leaders such as BP Chemicals have embarked on major capital spending programmes, adding capacity notably in the specialty chemical sector.

The BP complex at Grangemouth produces a range of hydrocarbons, general chemicals, fine chemicals and solvents. Nearby, along the same stretch of industrial-park highway, competitors such as ICI and *US-owned Rohm & Haas* produce similar products, many of them used in the production and treatment of plastics.

With a worldwide under-supply of ethylene and other chemicals, prices have soared. As a consequence, 1988 profits in the sector were at record levels, and have convinced management it is time, once again, to expand.

"The majority of the companies are speeding to grow their existing businesses," Michael Andrews, plant manager at Rohm & Haas in Grangemouth, says. "And much of it is technology-driven. We are eager to meet the customers' requirements, to manufacture improved versions of our existing products."

Still, the investments won't necessarily mean more jobs. The major downturn of the early 1980s, fuelled by over-capacity and slack demand, forced chemical companies to rationalise operations. Productivity per worker has increased, through lay-offs and computerisation. Although booming, the chemicals sector is getting by with far fewer workers than it employed in the late 1970s.

The same is true in other heavy industries, such as oil refining. Meanwhile, other mainstays of Central Region, including textiles, went through similar rationalisation in the early 1980s, with a consequent heavy loss of jobs.

Hence an unemployment rate of nearly 12 per cent, higher than the Scottish average, despite at least three years of relatively buoyant economic growth. Regional development authorities recognise the need to encourage a shift away from the traditional, heavily cyclical industries. They hope electronics, timber processing, and speciality manufacturing will take up the slack. For that, workers will have to learn new skills, and it is on training that local government is placing the greatest emphasis.

Not everyone believes that the future is dim for heavy industry. Optimists point out that most companiee have rationalised as much as they can: there is little operational fat left to carve away. If demand continues to grow, so should employment.

But many analysts expect the boom times to end, perhaps as soon as 1990. In the chemicals sector, for example, generally slower growth in major European markets, conpled with new capacity coming on stream this year, will again squeeze margins.

Also, environmental concerns are increasing, even among those in Grangemouth whose livelihood depends directly on the helching furnaces of the industrial park. The costs of meeting ever stricter emission-controls will inevitably increase.

If there is a downturn looming, the real crunch will come in the hulk chemicals sector, which is more cyclical than speciality chemicals. That is bound to hurt Grangemouth.

There are signs, however, that smaller companies in niche sectors could give the region an alternative to heavy industry. The Scottish Development Authority, along with the three district councils in Central Region, are providing help to an array of small local firms. Land, services, loans, and grants are variously made availahle to companies likely to create or maintain jobs.

At the same time, Locate in Scotland, the country's foreign investment marketing arm, hopes to attract more North American, mainland European,

Many analysts expect the boom to end, perhaps by 1990

and Japanese firms to the region.

It points out that central Scotland is well served hy motorways, has a good port at Grangemouth, and is a 30-45 minutes drive from two major airports, at Edinburgh and Glasgow.

A handful of foreign electronics firms have established manufacturing operations, notahly Wang of the US. But the sector is still small, and overshadowed hy Silicon Glen near Edinburgh.

Among smaller firms, the mood is bullish. Caberboard, a West German-owned timher-processing company formed from the assets of bankrupt Scottish Timber Products, is producing at or near full practical capacity, manufacturing chipboard at a large plant south of Stirling.

Company management expecte the workforce to expand to nearly 500, from 350 currently, once an new mannfacturing line is completed.

Tom Allison, operations director, says his main clients are furniture manufacturers and the huilding trade. He believes Caberboard can cater to their needs hy producing higher valued-added products, manufactured to client specifications.

Like many smaller companies, Caberboard is more interested in the UK than in continental Europe, despite the promise of an internal free market from 1992.

The company's markets are dominated by foreign exporters – the North Americans and Scandinavians particularly – and Mr Allison says his goal is "to minimise the market share of the foreign companies." He adds: "There is more than enough on our platter here, 1992 notwithstanding."

Caberboard, like most indigenous Central Region companies, believes the district and regional councils are important to the development of Scottish industry. The company is getting support from Stirling council, for instance, in securing permits for a plant expansion, and will receive a grant to build a rail branch-line linking the factory to the main British Rail line.

Robbie Taylor, managing director of family castings and foundry company Robert Taylor Holdings, agrees. "The attitude of the local councils is entrepreneurial, and very supportive of private enterprise," he says.

His group manufactures iron castings for a range of industrial clients, in the UK and, to a lesser extent in the US and mainland Europe.

He, too, says business is booming. "The market is more buoyant at the top of the cycle than I can ever remember. And it is continuing for the forseeable future, which for us, based on our order books, is about six months out."

But he believes slower growth is on its way. This time, however, he says management has been careful not to over-react in good times by expanding too quickly, only to face major retrenchment when economic growth slows.

Mr Taylor, as a supporter of the regional and district councils, has concerns about the Government's plan to combine training and regional development activities under Scottish Enterprise. Critics have warned that the move could destroy the SDA, which until now has spearheaded industrial policy-making in the country.

"The plan should not interfere with the best part of the SDA, Taylor says. "The SDA has, over 10 years, come to understand the manufacturing base of Scotland. It knows how to operate in a bureaucratic environment but in an entrepreneurial fashion."

Scottish business in general, and in Central Region in particular, insists that regional development policies are necessary if long-term improvement in the Scottish industrial base is to be achieved.

While good growth in chemicals, distilling, and refining is recognised as important, business and local government appear to agree that the region's future should lie in high technology, valued-added industries.

Skills are lacking in those areas, observers agree. Training schemes and selective grants for business are a solution that has gained support in the region. It may not please Mrs Thatcher, but many business people in Central Region believe there is a role for the Government in forging a blueprint for Scotland's industrial future.

Mathew Horsman

TOURISM

Promoting the loch

TOURIST projects totalling around £70m are planned for the area that includes Loch Lomond, Stirling and the Trossachs.

Most is destined for the shores around the southern end of Loch Lomond. Although the loch is known worldwide for its outstanding beauty, the hotel industry has been slow to realise its purely touristic potential – preferring parts of Europe, where the climate is more predictable, or of Britain, where there is a marked business, as well as tourist, demand.

The inclusion of conference facilities in the planned projects bridge the gap. The plans include a £30m 200-bedroom hotel, which will have two international-class golf courses; a £19.5m country club hotel, with golf; and the introduction of a catamaran-type cruise ship with year-round facilities, which is planned by an Anglo-Australian venture, followed by refurbishment of the Maid of the Loch.

These projects will be aimed mostly at the expensive end of the tourist market. But the tourist promoters in the region, which corresponds to the administrative Central Region, aims to attract a much wider market.

To some extent, it has already succeeded. Each year, 200,000 people visit Stirling Castle alone. The promoters believe this could go up to 750,000 with the addition of other attractions to the medieval castle.

Stirling council, with the help of consultants, has drawn up an ambitious plan for a number of projects in the old town, including a funicular railway to the castle. This part of the plan was called in by the Scottish Office (the castle is a national monument) and is currently under review by the Scottish Development Agency.

The plans aim to attract private sector investment, with the council funding improvements to the infrastructure, and the environment. The management of the castle would be contracted out to the private sector. The council says that up to 500 jobs could be created.

Tourist developments feature high on the region's

The statue of Robert the Bruce, at Stirling

submission to the European Regional Development Fund for financial assistance. The region, once heavily industrial, is seeking alternative strengths on which to build its economy of the future. Tourism employs around 3,500 (full-time equivalents, many of the jobs being part time), which the current investment plans for the area would boost by another 1,000.

The tourist board and the councils plan many lower-key, but potentially valuable, contributions, which will attract more visitors, and (vitally) encourage them to stay longer. The short-stay holiday has become a feature of the growth of British tourism. Many visitors to the area come from adjacent regions, and remain only for the day. Many others pass through on their way to the Highlands, stopping to sample its own particular attractions.

To persuade them to linger, accommodation and general facilities need to be constantly improved. The addition of bathrooms in guesthouse and bed-and-breakfast accommodation, improvements to caravan parks (some now have swimming pools) are important in making the region attractive to families as well as to the conference market.

The past is being re-created to appeal to the growing leisure demands of the present. An old mill at Killin is being converted to accommodate the St Fillan "healing stones", which have a 800-year history; an old church will become the home of a new "Rob Roy and Trossachs" centre; a wool centre is being built up, which will demonstrate all the skills of sheep farming.

The Roman occupation of central Scotland is a theme that could be relevant in the area now covered by Falkirk, the industrial town in the east of the region. The possibility is even being explored of linking tourism to the petrochemical complex at Grangemouth.

Good-quality accommodation is vital. Considerable scope remains for the development of budget hotels, and hotels which can offer comfort all the year round, in the manner of the old coaching inns. The region has spectacular scenery in abundance. To capitalising on this, in response to the surging demand for leisure, will require many skills. Tourism needs good marketing. The projects need financial backers. The region is moving in the right direction.

Hazel Duffy

Loch Lomond is known worldwide for its outstanding beauty

The periphery fights back

Continued from Page 1

The region also has two technical colleges which provide a range of training opportunities. They are the main vocational training centres in the region.

Training is a prime requirement in central Scotland. Many skills relevant to mannfacturing industry have become redundant. At the same time, surveys have highlighted skills shortages in many sectors, including electronics and chemicals.

The chamber of commerce for central Scotland, with local husinessmen, is hidding to become one of the pilot agencies that will comhine training and economic development under the arrangements which the Government proposes for the new Scottish Enterprise. A hudget of £16m-£18m is estimated for the training side of the project, to which economic development as now carried out by the SDA would possibly be added later.

Central Region became eligible to apply for assistance from the European Regional Development Fund last February, when it was defined by Brussels as an area that had suffered industrial decline and would benefit from help in making the adjustment to a more varied economic base.

Brussels money would provide a significant boost to the efforts of the local authorities. The programme identifies a range of schemes, including: resources to help the small business sector to expand, which would be carried out through enterprise trusts; the improvement of tourist facilities and marketing of tourism; improvements to roads, ports, puhlic transport; and the landscaping of industrial eyesores.

Assistance with training has to be channelled through the Social Fund, in Brussels, but an outline was included in the suhmission. It it oriented towards meeting the skills shortages and providing employment for school-leavers, young people, and disadvantaged groups.

The public and private sectors in Scotland have established a new harmony in the last few years. They have come together to hid for a better future. In Central Region, there is still much to achieve. But there is also a solid base of industrial and educational strength, on which to test this partnership. It will be watched with interest.

The campus of the University of Stirling — a home of business and innovation

Mathew Horsman on the enterprise of Stirling University

Sustained by its expertise

SET AMID landscaped lawns and trees, with a spectacular view of the historic Wallace Monument, the University of Stirling has made a virtue of independence and innovation.

Faced with a 25 per cent cut in its government grant in 1981, the governing hody embarked on a campaign to save the university from possible closure, tapping the private sector for research and development grants, and aggressively marketing the campus to part-time students, particularly from business.

The results have been impressive. In 1979, about 95 per cent of the university's operating budget came from the Government's block recurring grant. By last year, the figure had fallen to 55 per cent, with the remainder coming from research grants, special fees, and from the private sector companies Stirling has set up to market some of its expertise.

The university is wooing private companies to set up endowed chairs

At the same time, the university has secured a reputation as a major business school, with the opening last year of the Stirling Management Centre, and the expansion of full-time courses in subjects such as accounting, finance, and economics. The Management Centre, built with help from Stirling District Council, attracts students from around the world, and is an important resource for local companies, offering special, tailored courses on a range of topics important to business.

The Management Centre will be expanded this year, with the addition of a new building for classrooms. The university is also wooing private companies to set up endowed chairs. National Westminster Bank has already provided money for a chair in Japanese Business Studies, while Wang, the US computer company, backs a graduate student Fellow each year.

Wang is an example of the sort of synergy that Stirling's principal, Prof John Forty, hopes to nurture. The company has established manufacturing operations on a corner of the campus, assembling and shipping $200m worth of lap-top computers annually for the European market.

Wang's general manager at the Stirling plant, Ronnie Gilfillan, cautions that "the University was not the deciding principle for locating here". Wang was looking for additional manufacturing capacity in the UK, and was attracted by the low cost of setting up in Central Scotland.

"But the university has been very helpful," Mr Gilfillan says. "We have an excellent relationship, and use each other's resources."

Local officials clearly hoped that Wang's decision to invest in the region might lead to an explosion in electronics manufacturing. After all, Wang was one of the prime catalysts for the regeneration of ageing textiles centre Lowell, Massachusetts, now a thriving high-tech centre. The regional council even invited officials from Lowell to address local business earlier this year, to explain how Central Region could duplicate the Lowell miracle.

While there has been no rush by US and Japanese firms to establish operations in the area, the university has taken the lead in creating the conditions for new investment by high-tech companies.

An innovation park, established by the Scottish Development Agency, Central Regional Council, and the university, abuts the campus proper, and is home to 20 small firms, notably in biotechnology and electronics. Metropolitan Property built the centre.

At the same time, the University of Stirling has established its own private-sector operations, most of the them off-shoots of the well-respected Aquaculture department. Stirling Salmon and Stirling Aquatic Technology are two such companies.

The university's innovative Institute for Retail Studies also benefits from close ties with the private sector. Companies snch as Marks & Spencer, Tesco, Metal Box, and United Biscuits have provided financial help to launch the department, which provides useful research for retailers at the same time as it trains students.

The university has been a trend-setter in its traditional courses as well. Students work on a semester basis, with continuous evaluation. That allows for a fair degree of flexihility in the selection of courses.

It has also added specialist studies unavailahle in many much larger institutions. These include Film and Media and Public Relations. Stirling offers a number of intriguing inter-disciplinary degree programmes, allowing students to mix and match. A combination of Business and Japanese is one example.

The range of programmes, coupled with Stirling's aggressive search for private-sector funds, has guaranteed a future for the university. Although the administration is concerned about the Government's underfunding of universities in general, there is little doubt that Stirling will get even bigger in the next three to five years.

The Institute for Retail Studies benefits from close ties with the private sector

Already, 3,200 students attend, and each year about 12,000 apply for 650 fully-funded spaces. Alan Forrester, press and alumni relations officer, believes the university could increase that number easily, if the Government agrees to provide extra funding. In anticipation, new residences are planned.

Even if additional state money is denied, the university intends to expand its short courses, summer courses, and special business training programmes. That will insure a steady increase in the number of students.

The short courses, particularly, attract interest. With help from the Professional, Industrial, and Commercial Updating (Pickup) programme, funded in part by the University Grants Committee, Stirling offers short vocational courses thatrange from Accounting and Software Engineering to Acqualculture and Public Relations.

At the same time, grants from both state and private groups for research and development are set to grow. Last year, about £9m was provided to Stirling staff to fund research and development work.

The university is also unlikely to lose the full backing of district and regional councils. Local officials believe a major educational institution in Central Region is a magnet for students and business. Quite simply, they view the university as a catalyst. It is a role the University of Stirling is only too pleased to take on.

With 90 acres of ground, there were no space restrictions on development

PROFILE: SCOTTISH AMICABLE

Life in a stately home

FOR OVER three centuries, Craigforth House has nestled beneath the Crag, a basalt rocky outcrop that is a miniature of the Stirling Castle rock about a mile away.

The house is situated amid fields, farms and the meandering river Forth, with views over the Carse of Forth against a background of the Ochil Hills.

It sounds an ideal setting for a Scottish stately home. But for four decades it has housed the administrative head office of one of Scotland's major life companies, Scottish Amicable Life Assurance Society.

During the last 20 years, it has become common for life companies to relocate most, or all, of their head office functions. The boom conditions in the UK life assurance industry over the last few years have caused life companies to expand beyond their physical limits, and to seek additional eccommodation — a move encouraged by very high mid-city rents.

But invariably relocation has been to another city site, rarely to a rural setting. The story of Scottish Amicable's move to Craigforth is as fascinating as the rest of the house's history. Pressure on office space came early to Scottish Amicable in the years after the second world war, when the company's head office was situated at 35 St Vincent Place, in Glasgow.

Staff numbers rose from 80 to 200 within five years; hut the first consideration, that of taking over the building next door, was not available.

The next consideratiou is usually to look for and sequire buildings or sites within the near vicinity. However, the assistant general manager at the time, Boh Jenkins, lived at Bridge of Allan, near Stirling, from where he commuted to Glasgow. Consequently, he learned that Craigforth was on the market, and the company bought it for £5,000.

Most life companies seeking relocation would soon have crossed off Craigforth from their list of suitable sites. At the time, when the M9 motorway had not even been considered, tha place was somewhat isolated, both from the local labour-force and from Glasgow.

Nevertheless, it was considered suitable for one immediate purpose — as a storage facility for records. The rural setting looked ideal for this purpose at a time when the wartime risk of loss was still prominent in many people's minds.

From there, the centre simply expanded; and, because the purchase included 90 acres of ground, there were uo space restrictions on development. First, the pensions department moved. Then the first computer purchased hy Scottish Amicable was installed in the old stabla block — those early models required a solid floor.

As the operation grew, staffing presented a problem. But there was no shortage of people seeking employmeut, particularly during and since the recession years, which saw a succession of manufacturing operations closed down in the area — and the company operates on a Glasgow, rather than a local, pay scale.

Even so, the lack of public transport ohliged Scottish Amicable to lay on its own transport, ensure adequate parking space, and provide lunch facilities, in order to get the staff it required.

The complex of office buildings has since grown on the area surronnding area the house. Craigforth House itself now contains the recruitment, training and staff operations — from where employees can still see rabbits playing and deer grazing on the lawn at the back.

Other parts of the the office complex, which has grown over the years, house not only pensions and computer facilities, hnt also new business, premium collection, claim payments, and the group's printing requirements.

Scottish Amicahle gets almost 90 per cent of its business from south of the Tweed; and the economic success in the sonth has spilt over to this part of Scotland, in that there are uow 850 employees at Craigforth (650 of them women), while st least 15 coaches take employees to and from work.

The company has excellent relations with tha district and regional authorities, Stirling University and the local organisations. So there are no worries over future developmeut — the sort of success problem that causes sleepless nights for other Scottish life companies. Scottish Amicable knows where it will site its uext office block when it is oeeded.

The company's achievements would no donbt have the approval of John Calleuder, master armourer to King James VI of Scotland. He was owed a snbstantial sum of money by the king, and had sought payment without success. When the king became James I of England, James Callender undertook the journey to London to pursue his claim.

In London, a member of the retinue settled the claim, but paid out the required sum in English, not Scottish, pounds — and English pounds were worth many times the value of Scottish pounds.

The proceeds of this mistake provided the funds to enable James Calleuder and his descendants to buy the lands and build the first Craigforth House.

English money is now enabling the present owners to expand ou this initial achievement.

Eric Short

GROWTH AND CHANGE IN THE FINE PAPERS MARKET: ENSO MAINTAINS A STRONG AND STEADY PACE.

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swissair

Swiss Air Transport Company Ltd.

Notice to Holders of the Warrants of the 8% US$ Bonds with Warrants 1984–91 of Swissair Finance (B.V.I.) Limited, British Virgin Islands

We refer to the capital increase of Swissair, Swiss Air Transport Company Ltd. and the corresponding notice to the warrant holders of April 7, 1989.

According to the description of the warrants the purchase price of Sfr. 958.– per bearer share of Swissair in the nominal amount of Sfr. 350 each has been reduced to Sfr. 936.–.

The adjusted price is effective as of May 22, 1989.

May 30, 1989

CONSTRUCTION CONTRACTS

Loudwater offices project

Wilson (Connolly) Properties has awarded a contract worth in excess of £13m to KYLE STEWART to design and construct 'Kingsmead', a development of five office buildings at Loudwater, near High Wycombe, Buckinghamshire.

The scheme comprises three two-storey and two three-storey office buildings totalling 165,000 sq ft. Each will have a car park and will be in its own landscaped surroundings.

Construction generally is of concrete frame with brick cladding and tiled structural steel roofs. All buildings will have fully accessed pedestal raised floors and suspended ceilings.

Kyle Stewart will install internal and external lighting. The buildings will be air conditioned.

Work has begun on site and is due for completion April 1990.

Scottish by-pass scheme

Evered Quarry Products (Scotland) subsidiary, TRACTOR SHOVELS TAWSE, has been awarded a £7.4m contract to construct the Inverurie by-pass, on the A96 trunk road, for the Scottish Development Department.

The works consist of 1.24 miles of dual carriageway and 4.04 miles of single carriageway, together with two miles of side roads, a four-span bridge across the river Don, a three-span bridge across the new trunk road and four underpasses.

Evered Scotland will derive additional benefit from this contract through subsidiary John Fyfe. The hardrock quarry and blacktop plant at Toms Forest is two miles from the south end of the project and other Fyfe resources in the area, including sand and gravel at Mill of Dyce, concrete products at Kemnay, and readymix concrete, will find outlets in this project.

Muted response to roads Green Paper

By Andrew Taylor, Construction Correspondent

The construction industry has given a cool reception to Government proposals aimed at making it easier for developers to build private toll roads in Britain.

The plans were announced last week by Mr Paul Channon, Transport Secretary, in a consultation paper "New Roads by New Means".

The Secretary of State invited bids from private sector companies to increase road capacity between Birmingham and Manchester and to construct a Birmingham northern relief road. Tarmac is expected to be among the bidders.

Mr Channon proposes that the Transport Secretary should be given authority to approve privately financed road schemes, subject to a public inquiry. At present privately financed roads have to be approved by acts of Parliament.

A hybrid bill was used to authorise the Channel tunnel and the privately financed road toll-bridge being built across the river Thames at Dartford.

Mr Channon said parliamentary time was limited and alternative ways of approving schemes should be found.

Construction companies, however, say the proposals could lead to higher costs and even worse planning delays than at present, if public inquiries were to be held into most schemes.

Mr John Fletcher, a director of Trafalgar House, the construction, property, shipping and hotels group, said: "There will have to be some changes if the private sector is going to respond effectively to this initiative."

Mowlem, which unsuccessfully bid against Trafalgar House to build a privately financed Dartford crossing, is concerned that companies which have invested money in innovating schemes could find the project carried out by another company.

Mr Channon says in most cases schemes will have to be open to competition to ensure value for money.

One chairman of another leading construction company said: "These proposals offer very little incentive to private companies particularly after the Government has just doubled to £12bn the money available for the public roads programme."

The Federation of Civil Engineering Contractors, which represents most of Britain's road-building companies, said the Green Paper "does not on first reading seem to increase by much the opportunities for involving private finance on terms that would be attractive to contractors or bankers." The consultative paper also proposes to:

- allow private developers to set their own tolls on routes other than river crossings, where there was sufficient competition from other roads.
- permit government to compulsorily acquire land for developers.
- ease the rules by which individual private sector schemes are judged on value for money against publicly funded road schemes.
- permit developers to develop car-only toll lanes on busy motorways.

Mr Channon ruled out shadow tolls where the Government would pay an agreed sum for each car using a privately financed road.

Business village in Docklands

Joint developers London & Edinburgh Trust and Balfour Beatty Developments have awarded phase 2 of their Glengall Bridge project in the Isle of Dogs to MOWLEM MANAGEMENT. Valued at £28m, it is similar to but larger than phase 1 and the development has been described as "London Docklands only business village".

Phase 2 comprises the construction of 11 blocks up to eight storeys high facing eastwards across Millwall Dock and opposite the new London Arena. It will have 124,000 sq ft of office space, 56,000 sq ft of business and retail space, 25 flats, a waterside restaurant and car parking at basement level for 147 cars.

The buildings will principally be of in situ reinforced concrete frame construction, clad predominantly in brick and reconstituted stone, with areas of curtain walling. Roofs will mostly be pitched with artificial slates and fitting out to developers' standard. Excavation for the car park will be in difficult ground conditions requiring sheet steel piling.

Work on site has started with completion scheduled for December 1990.

Building regional processing centre

Repairs to Merseybank Estate in Manchester, an extension to Urmston Grammar School in Trafford and a new DHSS regional processing centre are among £14m worth of contracts won by LAING NORTH WEST.

Work on the regional processing centre at Ashton in Makerfield began recently. The £5m contract to design and construct the building was placed by the Government's Property Services.

A £1.4m contract awarded by Manchester City Council for Merseybank Estate includes prior-to-paint repairs involving new doors and windows, cavity and loft insulation and pointing at 446 homes.

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Oxford science park

WILCON CONSTRUCTION has commenced work on the 275,000 sq ft Oxford Science Park at Kidlington, Oxford. Phase 1 involves the construction of two 16,000 sq ft two-storey blocks and one three-storey block of 44,000 sq ft - some 76,000 sq ft in total.

Each block will have a steel and pre-cast concrete frame with a steep pitched tiled roof and overhanging eaves. Elevations comprise detailed cavity brickwork and polyester coated aluminium windows and doors with sealed double glazing. Each block is fully air conditioned, has raised modular access floors and suspended ceilings and is serviced by either one or two lifts. Work on the £6.5m negotiated building contract commenced in April and is scheduled for completion in March 1990.

Regional offices in Leicester

SIR ROBERT McALPINE AND SONS has been awarded a £6.8m contract by London and Manchester Assurance to build regional offices in Leicester.

Located on a 2,500 sq metre triangular site in South Albion Street, the layout of the seven-storey office block is of a stepped design.

Supported on piled foundations, construction of the building will be of reinforced concrete frame and floors. The external walls will be brick clad with aluminium colour-coated windows under clay tiled roofs. The ground floor will be a car park.

The contract also covers the fitting-out of the office block which will provide a total floor area of 5,100 metres.

It will have raised flooring and a grid suspended ceiling system. A conference room and full canteen and kitchen facilities will also be provided.

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For further details contact the Joint Receivers: D. D. McGruther or Alastair W. T. White, Grant Thornton, Chartered Accountants, 112 West George Street, Glasgow G2 1QF.

Telephone: 041 332 7484; Telex: 777726
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CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Futures hedge the interest rate question

HOW DOES the market view the future of London interest rates, following last week's decision to increase base rates and Thursday's announcement of uninspiring April UK trade figures?

Even before the Budget back in March, Chase Investment Bank had suggested 15 per cent base rates could be required to protect sterling. Since then several City commentators, including Mr Roger Bootle, chief UK economist at Midland Montagu, and also the research team at S.G. Warburg Securities, had forecast that base rates could touch this level.

Mr Ian Harwood at S.G. Warburg says: "The upside risk remains, posed by both a vulnerable and inflation prone currency and by stubbornly buoyant wage inflation." He has, however, softened his view a little, and now suggests that 14 per cent is likely to prove the top, although noboby will be sure for a few months yet.

But the question on whether rates are likely to go higher is perhaps best addressed to the short sterling contract on the London futures market (Liffe), and the answer there is somewhat ambiguous.

Mr Simon Denyer at GNI says short sterling for September delivery is cheap to cash. He points out that the effective yield curve is flat at 13¾-13¾ for money from three to six months, and this does not indicate any great confidence. It certainly does not recommend buying short sterling futures.

The price of short sterling for September delivery at 86.45 discounts a base rate of 13¾ cent cent, while the present offered rate for three-month interbank is 13¾ per cent. On the face of it this does not look particularly cheap, but again it does not take into account the technicalities in the yield structure.

Mr Nick Parsons at Union Discount believes the performance of the short sterling contract at the end of last week indicated just how bearish sentiment is in London and that the price of the contract bears little relationship to the underlying cash value.

He remarked: "A monkey landing from outer space on Tuesday would have sold short sterling." Assuming that London traders have at least as much perception as an extra-terrestrial chimp,it must be assumed that the market is carrying short positions and is vulnerable to a bear squeeze.

Mr Parsons thinks that the market is so short that there remains scope for an uncomfortable squeeze, forcing traders to cover their positions. He says this could push the contract up to 86.60, but any rally is likely to be short-lived. The rise will result in short positions being squared, enabling the market to re-establish positions and resume a bearish tact. This could result in a test of technical support at around 86.25, and a fall to the region of 86.10-20.

A price of 86.00 discounts the present base rate level of 14 per cent, but this is unlikely to be tested unless there is another loss of confidence. This is simply because the cost of carrying a position in the futures market is much smaller than in cash, and only represents a percentage of the total position, known as the margin cost. This advantage is worth about 10 to 15 basis points on the price of the contract and should insure that if there is no further threat of higher base rates the contract remains above 86.10.

The price of short sterling will remain a good barometer of the City's interest rate view, but it would be wise to let the the present technicalities of overwhelmingly short positions unwind before deciding whether 14 per cent will hold.

Colin Millham

£ IN NEW YORK

May 26	Close	Previous Close
£ Spot	1.5890-1.5910	1.5900-1.5910
1 month	0.54-0.49pm	0.53-0.51pm
3 months	1.61-1.56pm	1.56-1.52pm
12 months	5.70-5.50pm	5.58-5.43pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

May 26		Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

May 26	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.786442	0.659911
U.S. Dollar	7	1.24065	1.06312
Canadian $	12.39	1.49695	1.27872
Austrian Sch.	5	N/A	14.6455
Belgian Franc	7.75	52.0257	43.5659
Danish Krone	7½	9.66994	8.10201
Deutsche Mark	4.50	N/A	2.07990
Neth. Guilder	5.50	2.79834	2.34460
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for May 25

CURRENCY MOVEMENTS

May 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.4	-17.9
U.S. Dollar	71.9	-5.2
Canadian Dollar	103.0	-0.9
Austrian Schilling	106.1	+9.5
Belgian Franc	105.5	-6.5
Danish Krone	102.3	-2.6
Deutsche Mark	111.6	+19.7
Swiss Franc	104.8	+13.1
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

May 26	£	$
Argentina	302.70-303.05	189.90-190.00
Australia	2.1105-2.1125	1.3160-1.3198
Brazil	1.7965-1.8055	1.1270-1.1330
Finland	7.0315-7.0540	4.3910-4.3930
Greece	266.30-270.80	167.00-169.70
Hong Kong	12.4660-12.4855	7.7780-7.7810
Iran	118.50*	73.00*
Korea(Sth)	1058.80-1067.30	664.00-669.40
Kuwait	0.47390-0.47500	0.29540-0.29590
Luxembourg	65.80-65.90	41.40-41.50
[illegible]	[illegible]	[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

May 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

May 26	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.
£	1	1.589	3.160	224.7	10.70	2.754	3.558	2285	1.916	65.85
$	0.629	1	1.989	141.4	6.734	1.735	2.240	1437	1.206	41.44
DM	0.316	0.505	1	71.11	3.386	0.872	1.127	722.5	0.606	20.84
YEN	4.450	7.072	14.06	1000.	47.62	12.27	15.84	10160	8.527	293.1
F Fr.	0.935	1.485	2.953	210.0	10.	2.577	3.327	2134	1.791	61.54
S Fr.	0.363	0.576	1.146	81.50	3.881	1	1.291	828.1	0.695	23.88
H Fl.	0.281	0.446	0.888	63.12	3.006	0.774	1	641.3	0.538	18.50
Lira	0.438	0.696	1.384	98.42	4.687	1.208	1.559	1000.	0.839	28.84
C $	0.522	0.829	1.649	117.3	5.585	1.439	1.858	1192	1	34.37
B Fr.	1.519	2.413	4.799	341.2	16.25	4.187	5.406	3467	2.910	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Dollar remains firm in subdued trading

THE DOLLAR was confined to a narrow range in quiet trading yesterday, with volume restricted by the close of financial centres in the US and UK. The US unit was fixed in Frankfurt at DM2.0101 after closing earlier in Tokyo at DM2.0130.

There was no intervention by the West German Bundesbank but the Bank of Japan was active in Tokyo, intervening on several occasions to sell the dollar. Nevertheless, the US unit retains its firm undertone.

UK clearing bank base lending rate 14 per cent from May 24

In Frankfurt the Bundesbank announced that it will not be holding a news conference after a meeting of the central council on Thursday. Recent pressure on the D-Mark has given rise to suggestions that interest rates in Germany may be increased, but this now is seen as being less likely, at least for the time being.

The dollar moved up to DM2.0130 during the morning after comments by Mr Karl Otto-Pöhl, Bundesbank president, that the central bank is aiming to steady the D-Mark by keeping domestic prices stable. This was seen as a possible move away from currency intervention as a means of supporting the D-Mark.

In Zurich, the Swiss National Bank set its Lombard rate at 9½ per cent, up from 8½ per cent on Friday. However, the Swiss franc was weaker against the dollar, the latter moving up to SFr1.7560 from SFr1.7360.

The Italian lira lost ground against the dollar in Milan. The US unit was fixed at L1,454 compared with L1,423.5 on Friday. However the weakness of the D-Mark pushed it to its lowest fixing level against the lira since October 1987 at L723.75 from L724.75.

POUND SPOT - FORWARD AGAINST THE POUND

May 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. May 25) 3 months US dollars		6 months US Dollars	
bid 9⅝	offer 9¾	bid 9⅝	offer 9¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

May 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

	May 26	May 19		May 26	May 19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	May 26	change		May 26	change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY MAY 26 1989 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	THURSDAY MAY 25 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (89)	132.70	-0.9	123.61	116.26	-1.0	4.89	133.95	125.70	117.47	157.12	126.26	140.67
Austria (19)	118.44	+2.9	110.51	121.00	+0.7	2.13	115.11	108.01	120.17	124.18	92.84	87.46
Belgium (63)	130.20	+1.6	121.48	132.45	+0.1	4.14	128.18	120.26	132.27	137.10	126.33	120.02
Canada (125)	136.68	+0.7	127.51	116.24	+0.1	3.32	135.68	127.31	116.83	138.05	124.67	115.52
Denmark (38)	171.57	+0.6	160.08	179.56	-0.4	1.87	170.50	159.99	180.24	181.03	165.35	126.22
Finland (26)	144.06	+1.6	134.41	132.79	+0.3	1.58	141.84	133.09	132.34	159.16	125.81	133.80
France (126)	116.99	+0.7	109.16	123.60	+0.3	3.07	116.20	109.04	123.22	122.76	112.57	92.71
West Germany (100)	81.69	+0.6	76.22	84.47	+0.3	2.40	81.24	76.23	84.26	90.40	79.56	74.43
Hong Kong (49)	116.31	+0.5	108.52	116.17	+0.5	4.65	115.70	108.57	115.58	140.33	111.60	99.86
Ireland (17)	138.22	+0.6	128.97	144.85	-0.2	2.61	137.47	128.99	144.50	151.36	125.00	128.44
Italy (97)	76.19	+1.0	71.09	81.77	+0.4	2.60	75.45	70.80	81.42	86.88	74.97	89.15
Japan (455)	180.66	+0.8	168.56	161.47	+0.2	0.47	179.24	168.47	161.10	200.11	177.72	168.11
Malaysia (36)	177.61	+1.5	165.71	185.57	+1.3	2.59	174.94	164.16	181.58	184.26	143.35	136.11
Mexico (13)	218.83	-0.8	204.16	589.89	-0.8	0.85	220.49	206.90	594.35	220.49	153.32	148.93
Netherland (42)	114.62	+0.3	106.94	117.16	-0.0	4.89	114.29	107.24	117.24	122.22	110.83	101.55
New Zealand (24)	65.97	-1.5	61.56	58.94	-1.3	6.27	67.00	62.87	59.81	76.02	65.97	61.44
Norway (26)	181.51	+0.7	169.35	175.23	-0.4	1.52	180.31	169.19	175.90	196.39	139.92	119.36
Singapore (26)	157.17	+1.5	146.65	141.42	+1.4	1.91	154.88	145.33	139.53	160.35	124.57	112.57
South Africa (60)	132.84	+2.6	123.94	120.73	+1.7	4.37	129.47	121.49	116.67	144.86	115.35	130.11
Spain (43)	149.23	+0.4	139.24	140.47	+0.1	3.56	148.67	139.51	140.28	155.17	143.14	150.17
Sweden (35)	159.31	+0.6	148.64	157.19	+0.0	2.19	158.42	148.66	157.19	162.00	138.45	123.96
Switzerland (57)	69.45	+0.8	64.80	74.74	-0.6	2.49	68.87	64.66	74.98	79.76	67.81	75.72
United Kingdom (314)	141.35	+0.9	131.88	131.88	+0.3	4.38	140.14	131.50	131.50	153.33	134.53	137.75
USA (588)	131.09	+0.7	122.31	131.09	+0.7	3.41	130.14	122.12	130.14	131.21	112.13	103.36
Europe (1006)	114.87	+0.6	107.18	113.38	+0.2	3.59	114.00	106.97	113.13	121.70	112.65	109.99
Nordic (125)	151.40	+0.7	141.26	145.40	-0.1	1.95	150.35	141.06	145.59	155.61	137.95	116.68
Pacific Basin (678)	176.20	+0.6	164.40	157.78	+0.2	0.70	175.19	164.39	157.45	194.72	173.87	164.37
Euro-Pacific (1683)	151.69	+0.6	141.53	140.07	+0.2	1.59	150.73	141.44	139.76	154.22	148.40	141.43
North America (683)	131.39	+0.7	122.54	130.35	+0.7	3.41	130.38	122.35	129.44	131.50	112.79	104.01
Europe Ex. UK (691)	98.39	+0.7	91.80	101.93	+0.2	2.96	97.71	91.69	101.76	105.29	96.30	87.95
Pacific Ex. Japan (223)	122.73	-0.2	114.51	111.63	-0.3	4.58	123.02	115.44	111.95	137.65	122.73	119.24
World Ex. US (1881)	151.02	+0.7	140.91	139.38	+0.2	1.87	150.04	140.79	139.05	152.77	143.80	140.42
World Ex. UK (2125)	143.05	+0.7	133.47	135.99	+0.4	2.04	142.12	133.36	135.44	146.04	138.05	125.00
World Ex. So. Af. (2379)	142.95	+0.7	133.38	138.61	+0.4	2.23	142.00	133.25	136.09	148.65	133.82	126.09
World Ex. Japan (1984)	124.95	+0.7	116.58	123.66	+0.5	3.53	124.08	116.43	123.04	126.02	114.31	105.97
The World Index (2436)	142.89	+0.7	133.32	136.50	+0.4	2.24	141.93	133.18	135.97	146.51	138.83	126.12

Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Last	Nov. 89 Vol	Last	Feb. 90 Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 34,344

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	Low	Stock	Closing Price	+ or -	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

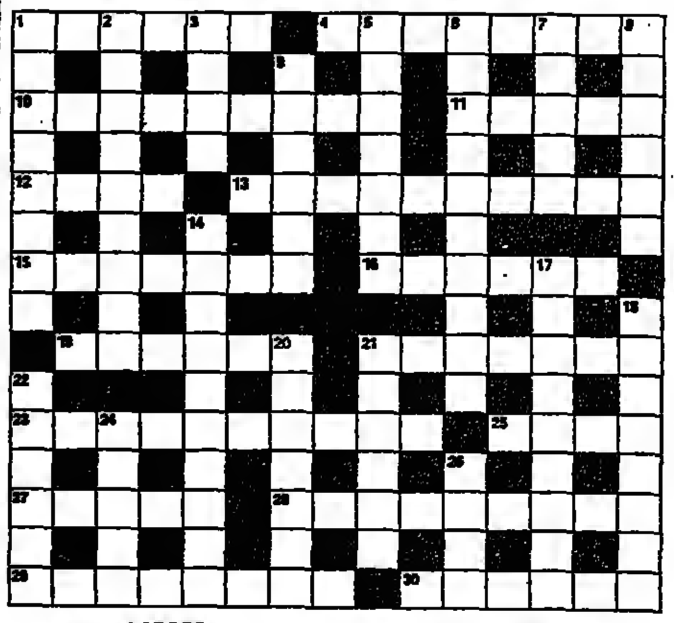
Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CROSSWORD

No.6,946 Set by TANTALUS



ACROSS

1 French painter read novel at home (6)
4 Scot's senior monk (3,5)
10 Cooked pie – repast before another meal? (9)
11 Vegetable head (5)
12 Leave out nothing with German (4)
13 Opposition to Second World War movement (10)
15 Oriental father exchanges lute for shoulder-piece (7)
16 According to Chesterton, a wicked shopkeeper (6)
19 Loves new road to the east – starts striding (6)
21 Trains swimmers? (7)
23 I dread boss moving pieces of furniture (10)
25 Certain to meet bridge player by river (4)
27 Horrify a gentle friend (5)
28 Before writing there is a rule (9)
29 Gives up hope when spread is ruined (8)
30 Tolerates part of football ground (6)

DOWN

1 Mythical monster and continental fish (8)
2 Rap minder getting confused? (9)
3 Herriot always included a small amount (4)
5 Female call could be a catch (7)
6 A sign of being possessive? (10)
7 I go into farm building to collect child (5)
8 Going up to get a clue (6)
9 Nurse upset about offer (6)
14 Two girls acquire organ stop (10)
17 It improves delivery (9)
18 It provides 13 against heat (8)
20 Run to see son with tent dweller (7)
21 "Jealous in honour, ... and quick in quarrel" (Shakespeare) (6)
22 Holy for example (6)
24 Drugs fools (5)
26 A short tale so to speak (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 10.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

[illegible]

Allied Dunbar Unit Tsts PLC (1400)F

[illegible]

Anthony Wieler Unit Tst Mgmt Ltd (1000)F

[illegible]

B & C E Unit Trust Mngmt Ltd (1000)H

[illegible]

Baillie Gifford & Co Ltd (1400)H

[illegible]

Bank of Ireland Fund Mgrs Ltd (1200)F

[illegible]

Barclays Unicorn Ltd (1000)H

[illegible]

Baring Fund Managers Ltd (1200)H

[illegible]

Bell Court Fund Mngt PLC (1500)F

[illegible]

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F

[illegible]

Brown Shipley & Co Ltd (1200)H

[illegible]

Buckmaster Management Co Ltd

[illegible]

Burrage Unit Tst Mngmt Ltd (0905)F

[illegible]

CCL Unit Trusts Ltd (1400)F

[illegible]

CIBC Unit Tst Managers plc (1200)H

[illegible]

CS Fund Managers Limited (1000)H

[illegible]

Canada Life Unit Tst Mgrs Ltd (1200)F

[illegible]

Cannon Fund Managers Ltd (0700)H

[illegible]

Capel (James) Unit Tst Mgrs

[illegible]

Capital House Unit Tst Mgrs (0905)H

[illegible]

Cazenove Unit Trust Mngt Ltd (2200)F

[illegible]

Chase Manhattan Fund Mgrs Ltd (1600)

[illegible]

CIGNA Unit Tst Managers Ltd (1000)H

[illegible]

Citicorp Unit Trust Managers Ltd (1000)F

[illegible]

City Financial Servs & Invs Ltd (1000)F

[illegible]

City of London Unit Trust Mgrs Ltd

[illegible]

Clerical Medical Unit Tst Mgrs Ltd (1200)H

[illegible]

Colonial Mutual Unit Tst Mgrs Ltd (1200)F

[illegible]

Commercial Union Tst Mgrs (1600)H

[illegible]

Confederation Funds Mngt Ltd (1200)F

[illegible]

Consistent Unit Tst Mngt Co Ltd (1200)

[illegible]

Co-op Pension Fds UT Mgrs Ltd (1000)H

[illegible]

Cornhill Unit Trust Mngrs Ltd (1000)F

[illegible]

Crown Unit Tst Services Ltd (1200)H

[illegible]

Dartington Unit Tst Mngt Ltd (1200)F

[illegible]

Dimensional Tst Mngmt Co Ltd (1200)F

[illegible]

Drummond Fund Mangt Ltd (1400)F

[illegible]

Dunedin Unit Tst Mgrs Ltd (1400)F

[illegible]

EFM Unit Tst Mgrs Ltd (1400)H

[illegible]

Eagle Star Unit Mngrs Ltd (1000)H

[illegible]

Elcon Ltd (1600)F

[illegible]

Equitable Units Admin Ltd (1600)F

[illegible]

Equity & Law Unit Tst Mngrs (1200)H

[illegible]

Exeter Fund Managers Ltd (1400)F

[illegible]

FMG Investment Mngmt Ltd (0905)H

[illegible]

FS Investment Managers Ltd (1200)H

[illegible]

Fidelity Investment Servs Ltd (1200)F

[illegible]

Foreign & Colonial Unit Mngmt (1200)H

[illegible]

Forshaw Watson U.T. Mgrs Ltd (1650)F

[illegible]

Foster & Braithwaite UT Mngt (1100)F

[illegible]

Framlington Group (1200)H

[illegible]

Friends Provident Unit Trusts (1200)H

[illegible]

GA Unit Trust Managers Ltd (1200)F

[illegible]

GT Unit Managers Ltd (1200)H

[illegible]

Gartmore Fund Managers (1200)F

[illegible]

Glenfriars Unit Tst Mgrs Ltd (1000)F

[illegible]

Global Asset Management (1200)F

[illegible]

Govett (John) Unit Mngt Ltd (1200)F

[illegible]

Grieveson Grant Unit Tst Mgrs Ltd (1700)F

[illegible]

Grosvenor Unit Tst Mngrs Ltd (1000)F

[illegible]

Guardian Royal Ex Unit Mgrs Ltd (1200)H

[illegible]

Guinness Mahon Unit Tst Mgrs Ltd (1000)F

[illegible]

Hambros Generali Fund Mgrs Ltd (1000)F

[illegible]

Henderson Unit Trust Managers

[illegible]

Hill Samuel Unit Tst Mgrs (1200)H

[illegible]

Jupiter Unit Tst Mgrs Ltd (0905)H

[illegible]

Key Fund Managers Ltd (1200)H

[illegible]

Kleinwort Benson Unit Trusts (1100)F

[illegible]

LAS Unit Tst Mgrs Ltd (1200)F

[illegible]

Lazard Unit Tst Mngrs Ltd (1000)F

[illegible]

L & C Unit Tst Mngmt Ltd (0905)F

[illegible]

Legal & General (U.T. Mgrs) Ltd (1200)F

[illegible]

Legal & General—Contd.

[illegible]

Lloyds Bk Unit Tst Mgrs Ltd (1000)F

[illegible]

London & Manchester Tst Mgmt (1000)H

[illegible]

M & G Securities (y) (0915)H

[illegible]

MGM Unit Managers Ltd (1600)H

[illegible]

MLA Unit Trust Management (1200)H

[illegible]

Maiden Unit Trust Managers Ltd (1200)F

[illegible]

Manulife Group PLC (1000)H

[illegible]

Marks & Spencer Unit Trust Ltd (1200)F

[illegible]

Martin Currie Unit Trusts Ltd (0905)H

[illegible]

Mercury Fund Managers Ltd (1200)H

[illegible]

Midland Unit Trusts Ltd—Contd.

[illegible]

MIM Britannia Unit Tst Mgrs Ltd (1000)H

[illegible]

Minster Fund Managers Ltd (1000)F

[illegible]

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H

[illegible]

Murray Johnstone UT Mngt (1600)H

[illegible]

NFU Mutual Unit Mngrs Ltd (1200)H

[illegible]

NM-Schroder Unit Tst Mngrs (1200)H

[illegible]

Newton Fund Managers Ltd (1200)H

[illegible]

Norwich Union Tst Managers (1200)H

[illegible]

PK English Trust Co (1000)F

[illegible]

Pearl Unit Tsts Ltd (1000)H

[illegible]

Perpetual Unit Trust Mngmt (1000)F

[illegible]

Phillips & Drew Unit Mngrs Ltd

[illegible]

Prolific Unit Tst Mngrs Ltd (1000)H

[illegible]

Providence Capital Fd Mngrs Ltd (1200)H

[illegible]

Provident Mutual Unit Tst Mgrs Ltd (0905)H

[illegible]

Prudential Holborn Unit Tsts Ltd (1445)H

[illegible]

Quilter Fund Mngt (1000)F

[illegible]

Reliance Unit Mgrs Ltd (1000)H

[illegible]

Rothschild Asset Mngt (Unit Trust) Ltd (0905)F

[illegible]

N.M. Rothschild Fund Mngmt (1000)F

[illegible]

Royal Life Fd Mngmt Ltd (1000)H

[illegible]

Royal London Unit Tst Mgrs Ltd (1000)H

[illegible]

Save & Prosper Group (0905)H

[illegible]

Schroder Unit Trust Managers

[illegible]

Scottish Amicable Ut Tst Mgrs (1200)H

[illegible]

Scottish Equitable Fd Mgrs Ltd (1000)H

[illegible]

Scottish Life Investments (1200)H

[illegible]

Scottish Mutual Inv Mgrs Ltd (1000)F

[illegible]

Scottish Provident Inv Mgt Ltd (1000)H

[illegible]

Scottish Widows' Fund Mngmt (1200)H

[illegible]

Smith & Williamson Unit Tst Mgrs (1000)F

[illegible]

Sovereign Unit Tst Mngrs Ltd (1000)F

[illegible]

Standard Life Tst Mgmt Ltd (0459)H

[illegible]

Stewart Ivory Unit Tst Mgrs Ltd (1500)H

[illegible]

Sun Alliance Unit Tst Mngmt Ltd (1200)F

[illegible]

Sun Life of Canada Unit Mgrs Ltd (0905)H

[illegible]

Sun Life Trust Mngmt Ltd (1200)H

[illegible]

Swiss Life Pen Tst Man Co Ltd (1000)H

[illegible]

TSB Unit Trusts (y) (1200)F

[illegible]

Target Trust Mngrs Ltd (1600)F

[illegible]

Templeton Unit Trust Managers Ltd (1200)F

[illegible]

Thornton Unit Managers Ltd (1000)F

[illegible]

Touche Remnant Unit Tst Mngt Ltd (1600)F

[illegible]

Trades Union Unit Tst Mngrs (1200)H

[illegible]

Triton Fd Mngrs Ltd (1000)H

[illegible]

Tyndall Unit Tst Mngrs Ltd (1200)F

[illegible]

UK Unit Trust Managers Ltd (1000)F

[illegible]

UTAM Ltd (1300)F

[illegible]

United Charities Unit Trusts (1000)H

[illegible]

Wardley Unit Tst Mgrs Ltd (0905)H

[illegible]

Waverley Unit Tst Mngt Ltd (1000)F

[illegible]

Wellington Fund Mgrs Ltd (1200)F

[illegible]

Weaver Asset Management (1330)F

[illegible]

Whittingdale Unit Tst Mngt Ltd

[illegible]

Wiltshire Financial Services Ltd (0905)F

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

مكتبة الأصل

حكذا منه الأصل

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Windsor Trust Mngrs Ltd (1200)F

Allied Dunbar Assurance Plc

City of Edinburgh Life Assurance

Devonshire Life

Assicurazioni GENERALI SpA

Irish Life Assurance Co Plc—Contd.

MGM Assurance(z)

NEL Britannia Assce Co Ltd—Contd.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Holborn Pensions Ltd—Contd.

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd-Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plans) Ltd

The Analysis Group PLC

Blackstone Franks Plc

Bryan Walls & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Clifton Financial Mgmt Ltd

Drummond Moores Plc

First Financial PLC

The Fitzgerald Group

Gartmore Fund Managers Ltd

Hinton Hill (G. & P.) Ltd

Horstminster Financial Services (CY) Ltd

Investment Portfolio Services Ltd

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Lloyds Intl Money Market Fund Ltd

Lamont & Partners Plc

M & E Financial Management Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

O'Halloran & Co/Countrywide

PBR Fund Management Ltd

Roxborough Financial Management Ltd

Rutland Insurance Broking & Inv Cap Ltd

Sharp (Albert E) & Co

Siftala Fund Managers Limited

Tattersall Investment Mngt. Ltd

Towry Law & Co

University Medical General Ltd.

J. D. Ward Financial Services Ltd

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

Grofund Invest Managers (Guernsey) Ltd

Gaiwind Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Rothschild Asset Management—Contd.

Royal Bank of Canada Funds

JERSEY (SIB RECOGNISED)

Capital House Fund Mgrs (CI) Ltd

John Govett (Channel Islands) Ltd

Lloyds Bank (CI) U/T Mgrs.

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

IoM (SIB RECOGNISED)

Allied Dunbar International Fund Mgrs Ltd

Ansel Global Funds Ltd

Barclays Intl Funds

Gartmore Fund Managers (IoM)

Fleming Group

LUXEMBOURG (SIB RECOGNISED)

Eagle Star Intl-Global Assets Fund

Ivory & Sime (Luxembourg) SA

Royal Trust Asset Mngmt

Lazard Fund Mngrs (Channel Islands) Ltd

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

Adams & Neville Fund Mngt (Guernsey) Ltd

AEtna Intl Assurance (Bermuda) Ltd

Bamford Brandt Guernsey Mngt. Ltd

The Bangkok Fund

Baring Fund Managers (Guernsey) Ltd

Buntrest Management (Guernsey) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Euromobiliare Fd Mngt (Guernsey) Ltd

Five Arrows Intl Bond Fund

Framlington Overseas Fund Mngt Ltd

Assicurazioni Generali SpA

John Govett Management International Ltd

Hambros Fd Mgrs (CI) Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mgrs. (Guernsey) Ltd

The India Fund

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mngt Ltd

Lazard Fund Managers (CI) Ltd

London Interstate Fund Managers Ltd

M & G Island Fund

Manufacturers Hanover Geofunds

NM Schroder Financial Mngt Intl Ltd

Nikko Capital Mngt (Europe) Ltd

Prudential Intl Financial Services Ltd

Touche Remnant (Guernsey) Limited

Tyndall International (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Wellington Fd Mngrs (Guernsey) Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

BNP Inv Mgmnt (Jersey) Ltd

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

هكذا من الأصل

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-Line
2,400	Exch. 10pc 1989	99[illegible]	13.15	28.12	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99[illegible]	11.16	20.2	29 Mar 29Sep	1256
601	Treas 5pc 1986-89	97[illegible]	10.84	9.3	15Apr 15 Oct	1329
174	Exch 10¼pcCv '89	99¼	11.39	10.4	15 May 15 Nov	1255
1,000	Treas 13pc 1990‡‡	100[illegible]	12.83	9.12	15 Jul 15 Jan	1300
1,400	Exch 11pc 1990‡‡	98[illegible]	12.75	6.1	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	99[illegible]	12.56	13.2	22 Sep 22 Mar	1262
550	Treas. 5pc 1990	93[illegible]	9.80	3.4	8 Nov 8 May	1325
600	Treas 8¼pc 1987-90‡‡	96½xd	12.06	9.5	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	96[illegible]	11.87	12.12	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	97[illegible]	12.16	20.3	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	90[illegible]	9.52	17.4	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	99[illegible]	12.02	5.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87-91‡‡	91[illegible]	10.70	1.3	5Oct 5Apr	1275
400	Treas. 3pc 1991	89½	8.98	6.4	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	96[illegible]	11.73	6.12	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	98[illegible]	[illegible]	20.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	92¼xd	[illegible]	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	103¼	[illegible]	26.12	22Jul 22Jan	1297
1,600	Treas 10pc 1992	96[illegible]	[illegible]	16.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	91[illegible]	[illegible]	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	98[illegible]	[illegible]	31.3	7 Nov 7 May	1389
500	Treas. 3pc 1992	83½xd	[illegible]	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	102[illegible]	[illegible]	19.1	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	106[illegible]	[illegible]	13.2	22Mar 22Sep	1266
950	Treas 8¼pc 1993	91[illegible]	[illegible]	17.1	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	97[illegible]	[illegible]	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	105	[illegible]	8.12	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	86	10.08	6.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	109[illegible]	10.83	17.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	91½	10.83	28.12	3Aug 3Feb	–
600	Treas 14½pc 1994‡‡	114	10.61	23.1	1 Sep 1 Mar	1307
1,100	Exch 13½pc 1994	109[illegible]	10.83	21.3	27Oct 27Apr	1267

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
130.8	Cullinet Sftwr 1c	405p	–	–	–	–	–
1,187.3	Dana Corp. $1	26½	$1.60	3.8	28.2	Mr Je Se De	2306
320.8	Data General	11⅝	–	–	–	–	–
6,317.1	Dun & Bradstreet $1	34	$2.00	3.7	13.2	Mr Je Sp Dc	–
1,640.6	Eaton Corpn. 50c	38⅝xd	$2.00	3.3	1.2	F My Au N	2410
638.4	Echlin Inc	18¾xd	70c	4.1	3.4	JanAprJulOct	–
2,570.6	FPL Group 1c	19⅝xd	$2.20	7.2	23.11	MrJeSepDec	–
15,525.3	Ford Motor $1	29⅞	$3.00	6.4	27.4	Mar Jun S O	2615
726.7	GATX 62½c	38⅞	$2.00	3.3	7.3	Mar Jun S O	2662
30,149.3	Gen. Elect. 63c	32⅜xd	$1.64	3.2	2.3	Ja Ap Jly O	2675
–	♦General Host Corp $1	514p	28c	3.4	13.12	–	–
2,854.9	Gillette $1	24⅝	96c	2.5	27.1	Mar Jun S O	2695
263.3	Gt Am First Svgs Bk $1	803p	60c	4.7	28.10	Fe My Aug Nv	–
828.2	Greyhound $1½	21⅝	$1.32	3.9	28.2	Ja Ap Jy Oc	2778
640.4	Hasbro Inc 50c	12⅛	16c	0.8	2.5	Ja No Au My	–
	For Home Group see Ambase Corp						
2,087.3	Honeywell $1½	47⅝xd	$2.10	2.8	23.5	Mar Jun S O	2919
2,162.0	Houston Inds.‡	18⅜	$2.96	10.2	10.11	Mr Je Se De	–
40,896.1	IBM Corpn $1¼	68½xd	$4.84	4.5	5.5	Mar Jun S O	2986
1.00	Image Storage/R.Sys. 1c	47p	–	–	–		2961
1,365.3	Ingersoll-Rand $2	25⅞xd	$1.04	2.5	16.5	Mar Jun S O	2979
1,959.9	Lockheed Crpn. $1	29⅞xd	$1.60	3.4	15.2	Mar Jun S O	–
303.2	Lone Star Inds $1	18⅜xd	$1.90	6.5	1.3	May Au N Mar	3216
732.9	Louisiana Land 15c	23⅝xd	$1.00	2.7	26.5	Mar Jun S O	3222
599.4	Lowe's 50c	15⅛	48c	2.0	9.1	Jan Ap Jly Oc	–
1,056.4	Manuf. Hanover $1	22	$3.28	9.4	26.6	Jan Ap Jly Oc	3279
1,980.7	Merrill Lynch $1	18⅛	$1.00	3.4	31.10	Feb My Au N	3351
520.4	Molex Inc	2051p	3.2c	–	–	–	3397
4,468.9	Morgan (JP) $2½	24⅛xd	$1.66	4.2	21.12	Jan Ap Jly O	3418
10,393.1	NYNEX $1	48½	$4.36	5.7	27.6	F May Au N	–
379.2	PHH Corp. ‡	22⅝	$1.12	3.1	4.4	Ja Ap Jy Oct	–
–	♦Pacific Agr. ‡	253p	–	–	–	–	–
1,678.5	Pacificorp $3¼	24⅛	$2.76	6.9	19.4	Feb My Ag Nv	–
10,763.8	Pacific Telesis 10c	25	$1.88	4.8	12.85	Fe My Au No	–
730.8	Pall Corp. 25c	19⅛	48c	1.5	24.1	Fe My Au No	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1.31	Sonic Tape 2½p....v	10½					
3.22	Staks Hldgs. 5p....v	78					4625
4.28	Swanyard Studios 1p v	3					4666
9.30	Tomorrows Leisure 20p v	83					4248
15.0	Tullow Oil 10p.....v	15			24.2		4886
3.95	UPL Group 10p.....v	98xd	2.75	3.7	22.5	Dec. July	4362
7.23	Unit Group.........v	140	F7.5	7.1	28.11	Jan July	
6.10	Vista Ems 5p.......v	11½					
20.3	Vizcaya Hldgs 5p..v	38					
39.8	Whitegate Leisure 20p. v	32½					
1.34	Do. Wrrnts.........v	20					
29.9	Wilton Group 1p...v	8½					

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless Otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend [illegible] prospectus or other official estimates for 1987-88 [illegible] annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... v	100	......	Arnotts............	450xd	......
Craig & Rose £1.. v	720	......	Carrol (P.J.).......v	158	......
Finlay Pkg 5p.... v	88xd	......	Hall (R. & H.).......	157	−1
Holt (Jos) 25p..... v	1325	......	Heiton Hldgs.......v	76	−1
			Irish Ropes..........	200xd	+5
			United Drug.........	148	......

IRISH

Cap 8½% Ln. 1991	£98	......
9pc Cap Ln. 1996..	£97¼	......
Fin. 13% 97/02...	£118	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	28
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	21
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	13
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	30

Oils	
Brit Petroleum	21
Do. Int. Certs.	12
Burmah Oil	40
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £965 per annum for each security.

WORLD STOCK MARKETS

AUSTRIA

May 29	Sch	+ or −
Austrian Airlines	2,350	—
Creditanstalt	2,690	+30
Goesser	4,310	+230
Interunfall	16,500	—
Jungbunzlauer	16,250	+150
Laenderbank	450	—
Perlmooser	925	—
Reininghaus	1,510	+10
Semperit	225	+10
Steyr-Daimler	120	+5
Veitscher Mag	940	+25
Verbund	180	—

BELGIUM/LUXEMBOURG

May 29	Frs.	+ or −
B.B.L.	3,590	—
Bank Intl. a Lux	14,700	+200
Banque Gen. Du Lux	14,500	—
Banque Nat Belg	37,000	—
Bekaert B	14,950	—
Ciment CBR	6,670	−30
Cobepa	5,800	−10
Do. AFV 1	5,800	−10
Do. AFV 2	5,710	−40
Cockerill	363	+3
Colruyt	16,275	+275
Delhaize	5,620	—
EBES	4,740	−35
Do. AFV 1	4,645	−55
Do AFV 2	4,650	—
Fabrique Nat	810	−10
GIB Group	1,310	−8
Do AFV	1,320	+6
GBL (Bruxl)	4,515	−25
Do. AFV 1	4,500	+50
Do. AFV 2	4,500	+50
Gechem	992	−6
Do. AFV	982	+30
Generale Bank	6,000	—
Do. AFV 1	6,020	+20
Do. AFV 2	6,150	−60
Gevaert	8,420	—
Hoboken	17,600	—
Do. AFV	17,600	+50
Intercom	3,725	−45
Do. AFV 1	3,630	−80
Do AFV 2	3,620	−85
Kredietbank	4,700	−35
Do AFV	4,700	+45
Pan Holdings	14,200	+50
Petrofina	13,400	+50
Raffinerie Tirle	1,870	+20
Royale Belge	5,210	—
Do. AFV 1	5,400	−50
Do. AFV 2	5,350	−150
Soc Gen Belge	4,900	—
Do. AFV	4,750	−50
Sofina	13,025	—
Solvay	15,425	+25
Stanwick Intl	166	—
Tessenderlo	6,960	+10
Do AFV	6,880	+70
Tractebel	9,520	+60
Do. AFV 1	9,410	−20
Do. AFV 2	9,490	−40
Do. AFV 3	9,470	+20
UCB	11,050	−300
Do. AFV	10,900	+500
Unerg	2,670	−50
Do. AFV 1	2,605	−65
Do. AFV 2	2,605	−45
Wagons Lits	8,490	+90
Do. AFV	8,400	−10

DENMARK

May 29	Kr	+ or −
Baltica Hldgs	443.1	+4.9
Carlsberg	1,250	—
Cop Handelsbank	289.8	+4.6
D Sukkerfab	629.7	+2.6
Den Danske Bank	340.2 xc	+3.8
East Asiatic	312.9	+3.3
FLS Inds. B	2,925	+25
GNT Holding	285	−10
I.S.S. B Systems	800	+15
Jyske Bank	393	+4.9
Nordisk Kabel	553	−2
Novo Inds	320.1	+3.9
Privatbanken	263.8 xc	+1.4
Royal C'hagen A	485	+5
Sophus Berendsen	1294.9	+14.6
Superfos	4912.9	+22.4

FINLAND

May 29	Mka	+ or −
Amer	172	+0.5
Cultor	98	+3.25
Huhtamaki I Free	90	+1
Huhtamaki k Free	167.5	—
KOP	64	+0.25
Kone	480	+5
Kymmene	117	—
Nokia	132.5	—
Pohjola 'B'	111	—
Rauma-Repola	39	−1
Stockmann 'B'	245	+6.5
UBF 'C'	31.9	+0.05
Utd. Paper Prf.	130	+0.5
Wartsila (s11)	368	−3

FRANCE

May 29	Frs.	+ or −
Accor	671	−4
Afrique Occiden	2,230	+1
Air Liquide	622	−5
Alcatel	2,974	−29
Alsthom	596	−7

FRANCE (continued)

May 29	Frs.	+ or −
Arjomari-Prioux	2,670	−30
Auxiliaire d'Ent	1,125	−4
BIC	801	+32
BSN	704	+10
Bancaire Cie	500	—
BNP (Cert.Inv.)	355	−4
Beghin-Say	687	−3
Do. Certs	430	—
Bongrain	3,140	+55
Bouygues	641	−7
CMB Packaging	740	+4
Carrefour	2,949	−1
Casino	221	+2
Cetelem	651	−3
Chargeurs	1,330	−17
Ciments Fr.	1,526	−27
Club Mediterranee	620	−15
Cofimeg	345	+2
Cogi0	375	—
CGE	435.5	−1
Coparex	351	−1
Cred Foncier Fr	884	+4
Credit National	1,170	−10
Damart	3,150	−12
Docks de France	3,955	+17
Dollfus-Mieg	566	−1
Dumez S.A.	1,022	+12
Eaux (Cie Gen)	1,904	−20
Ecco	2,070	−15
Electrofin're	971	+3
Elf-Aquitaine	512	+10
Do. Certs	391	−4
Epeda-Bertrand	1,300	+25
Essilor	3,285	−30
Eternit (Fin.)	2,919	+54
Eurafrance	1,690	−30
Eurocom	1,435	−48
Euromarche	3,129	+19
Exor	1,395	−25
Finextel	210	—
Fonciere Lyonn	485	+3
Fromageries	1,940	−35
GTM-Entrepose	1,390	−54
Gaumont (Soc N)	653	−7
Gen Geophysique	860	+3
Gen. Occidentale	919	+3
Hachette	376	+1
Havas	995	+26
Imetal	382	−4.3
Immeubles de Fr	1,069	—
Immobanque	755	−6
Industrielle	4,080	+5
Interbail	538	+5
Intertechnique	1,505	+25
LVMH	4,145	+5
Lafarge Coppee	1,555	−5
La Henin	567	−5
L'Oreal	4,040	−40
Legrand	3,685	+4
Locafrance	492	−22
Lyonn. des Eaux	1,659	+3
Maisons Phenix	103	−0
Matra S.A.	326	+2
Merlin-Gerin	4,500	−70
Michelin B	199	−1
Midi (Cie)	1,395	−3
Moulinex	135	−1
Navigation Mixt	1,042	−23
Nord Est	190	−3
Nouvelle Galer.	625	−18
OFP	1,445	+5
Orsan	470	+5
Paribas	490	−8
Paris Reescompte	450	—
Pechelbronn	1,075	+20
Pernod Ricard	1,289	−6
Perrier	1,697	−8
Peugeot S.A.	1,689	−3
Pollet	721	+1
Pretabail Sicomi	1,120	—
Printemps Au	669	−3
Promodes	3,180	+70
Radiotech	650	−14
Redoute	3,365	−35
Rhone-Poul (Cts)	578	+4
Roussel-Uclaf	1,848	+23
SILIC	730	+3
Sagem	1,521	−29
St. Gobain	605	+5
Saint Louis	1,348	−22
Sanofi	860	−2
Schneider	765	−4
Seb SA	1,070	−38
Sefimeg	450	−3
Simco	520	—
Skis Rossignol	1,337	−3
Soc. Gen. de Fr	476	+2
Sommer-Allibert	2,390	−55
Spie-Batignolles	568	+10
Suez (Fin de)	328	−0
Taittinger	3,630	−82
TRT	1,265	−10
Thomson (CSF)	225	−1
Total-Petroles Fr.	482	−3
UFB Locabail	448	+3
Unibail	806	+11
Union Immob Fr	546	+1
Valeo	758	−12
Vallourec	392	−2

GERMANY

May 29	Dm.	+ or −
AEG	210.5	+0.5
AG Ind & Verkehr	563	+6
Aachener Muench	662	−2
Allianz AG	1,705	—
Altana	403.5	−3.5
Asko Deutsche K	823	+15
Do. Prf.	611	—
BASF	313.5	+6

GERMANY (continued)

May 29	Dm.	+ or −
Badenwerk	185	—
Bayer	310	+4.5
Bayer-Hypo	370	−1
BMW	524.5	+3.5
Bayer-Verein	365	−1
Beiersdorf	568	—
Berliner Kraft	105.5	−0.2
BHF-Bank	437	+4
Bilfinger & Berg	440	+0.5
Brown Boveri	436	−2
Colonia Versich	571	−4
Do. Pref.	558	−5
Commerzbank	246	—
Continental AG	266.2	+2.2
DLW	543	+0.5
Daimler-Benz	669.5	+4.5
Deckel (Fr.)	197	—
Degussa	452.5	+6
Deutsche Babcock	168	−1.5
Deutsche Bank	523	−0.4
Didier-Werke	254	+2
Dragerwerk	274	+1
Dresdner Bank	310	−14
Fag Kugelfischer	290	−2
Feldmuehle Nobel	344	—
Gerresheimer	256	+2
Goldschmidt (TH)	402	+2
Hamborg Elekt	133.9	+0.9
Hapag Lloyd	360	+2
Harpener	452	+1
Heidelberger Zem	720	—
Henkel Pref.	492	−1.5
Herlitz	260	—
Hochtief	841	+10
Hoechst	312	+3.5
Hoesch	254	+1
Holzmann (P)	860	+9
Horten	251.5	−0.5
Hussel	562	−3
Industriekredit	231.5	−1.5
Industrie Werke	290.5	−1
Kali & Salz	205	−1.5
Karstadt	515	−4
Kaufhof	464.5	+1.5
KHD	159	+3
Kloeckner Werke	163	—
Kraft Werke Rh	275	—
Lahmeyer	817	−1
Leifheit	538	+6
Linde	717.5	−2
Lufthansa	181	+6
Do. N/V Pref.	146	+2
MAN	300	+11
Do. Pref.	246	+9.8
Mannesmann	239	+1.9
Mannheimer Vers	634	+4
Mercedes Hld	525.5	+5.5
Metallgesell	410	—
Muench Rueck	2,070	+15
Nixdorf	328	−1.5
PWA	239.8	+0.3
Philips Kommun.	572	+7
Porsche	765.5	+19.5
Preussag	269	−0.5
Rheinelektra	1,585	+5
Rhein West Elect	288	+1.5
Do. Pref.	262.5	+5
Rheinmetall Berl	422	−1
Do. Pref.	271	—
Rosenthal	310	−3
Schering	660	—
Schmalbach-Lub	175	+1
Siemens	538.5	+6
Springer Vlg Rg	520	−0.5
Sud-Chemie	672	—
Thyssen	249	+0.7
Varta	373.5	−1
Veba	290.0	+3.3
V.E.W.	169.8	+0.4
Verein-West	423	−3
Viag	313	+1
Volkswagen	385.8	+3.8
Do. Pref.	339.5	+2.5
Wella Pref.	619	+3
Zanders Feinp'per	280.2	+0.2

ITALY

May 29	Lire	+ or −
Banca Com'le	4,180	+60
Banca Naz Agric	12,720	+470
Banco Lariano	4,432	+41
Bastogi-IRBS	407	+2
Benetton	10,695	+96
Burgo (Cartiere)	13,810	+100
CIR	5,500	+105
Caffaro	1,290	—
Cementir	3,345	+10
Cigahotel	4,690	+51
Cofide	5,960	+140
Credito Italiano	2,050	+22
Danieli	8,600	+10
Eridania	6,600	+90
Fiat	9,300	+160
Do. Priv.	6,155	+104
Fidis	6,625	+105
Fondiaria	58,400	+500
Gemina	1,781	+30
Generali Assicur	40,400	+190
Gilardini Inds.	17,010	+160
IFI Priv.	17,900	+270
Italcable	11,300	+210
Italcementi	112,600	+700
Italgas	2,255	+5
Lloyd Adriatico	18,050	—
Magneti Marelli	2,991	+81
Mediobanca	20,625	+175
Mira-Lanza	42,650	+270
Montedison	2,120	—
Olivetti	9,030	+20
Pirelli Co	7,850	+220
Pirelli Spa	3,230	+55
Rinascente La	4,975	+95

ITALY (continued)

May 29	Lire	+ or −
RAS	27,950	+90
SIP	2,860	−6
Saffa A	9,820	+70
Saipem	3,310	−60
SASIB	4,884	−16
Siossigeno	34,500	+390
Sirti Spa	9,040	+40
SMI	1,612	+32
Snia BPD	2,645	+65
Toro Assicur	20,000	+140
Tosi Franco	25,605	+305
Unicem	22,450	—

NETHERLANDS

May 29	Fls.	+ or −
ACF Holding	49.90	−1.6
AEGON	96.30	+0.6
Ahold	119.50	—
AKZO	146.40	+0.2
ABN	40.60	+0.1
AMEV	49.80	−0.6
AMRO	76.40	+0.2
Bols Lucas	139.80	+0.2
Borsumij Wehry	141.00	—
Buehrmann-Tet	64.70 xr	+0.1
Center Parcs	74.70	+0.2
Centrale Suiker	65.70	−0.2
DSM	136.50	—
Dordtsche Petroleum	259.00	+2
Elsevier Ndu	67.50	−0.3
Fokker	41.80	−0.2
Gamma	84.80	+4.3
Gist Brocades	34.80	−0.1
Heineken	112.00	+0.4
Holl. Beton	208.50	−0.5
Hoogovens	100.80	+0.4
Hunter Douglas	106.20	+0.5
IHC Caland	33.50	−0.5
Int Mueller	89.50	+1.4
KLM	48.50	+0.7
Kempen	14.40	+0.2
KNP	56.9	+0.1
Nat Ned Cert	60.20	+1.3
Ned Mid Bank	216.50	+0.5
Nedlloyd	427.00	−1
Nijverdal-Ten Ct	98.00	−1.2
Nutricia Ver B.	249.00	+5.5
Oce Grinten	300.00	—
Ommeren (Van)	49.00	+0.3
Pakhoed	129.90	+0.7
Philips	38.80	—
Robeco	106.60	+0.7
Rodamco	165.50	+0.4
Rolinco	106.10	+1.4
Rorento	61.10	−0.4
Royal Dutch	141.80	+1.3
Unilever	139.10	+1
VMF Stork	36.50	+0.7
VNU	103.20	−0.3
Wessanen	83.50	−0.8
Wolters Kluwer	174.00	−1

NORWAY

May 29	Kroner	+ or −
Aker	87.50	−3.5
Bergen Bank	219.00	−2
Bergesen B	305.00	+2
Christiania Bk	291.00	−1
Den Norske Credit	135.50	+1.5
Dyno Ind.	104.00	+2
Elkem	362.00	−8.5
Hafslund Nycom A	150.00	+1
Kosmos	202.00	—
Kvaerner	150.00	−3
Nora Industrier	219.00	—
Norsk Data A	48.00	−1
Norsk Hydro	167.00	−0.5
Orkla Borregaard	367.0	—
Storebrand	94.00	—

SPAIN

May 29	Pts.%	+ or −
Banco Bilbao Viz	1,020	—
Banco Central	980	—
Banco Exterior	490	—
Banco Hispano	841	+16
Banco Popular	1,912	—
Banco Santander	835	—
Banesto	1,007	+12
Citroen Hispania	1,750	+30
Corp. Mapfre	1,965	+5
Dragados	606	−13.5
Ebro	3,340	+14
Electra Viesgo	299	+9
Energia Ind Ara	580	+12
Esp Carburos Mt	890	—
Esp Acum Tudor	424	+11
Explosivos Rio	345	+11
Fasa Renault	548	[illegible]
Fecsa	52.1	[illegible]
Hidroel Cantab.	186.5	+5
Hidrola	98.7	[illegible]
Iberduero	128.2	[illegible]
Koipe	510	−15
Metal Duro-Felg	427.5	—
Petroleos (Cia Esp)	510	−5
Portland Vald.	4,375	+35
SNIACE	219	—
Sarrio	413	−2
Sarrio	550	+5
Sevillana Elec.	120	+2.3
Tabacalera	960	−25
Telefonica	196.2	+1.7
Torras Hostench	1,928	−6
Union Elec-Fen.	84.7	+2.6
Union y el Fenix	2,485	—
Uralita	794	+10
Urbis Ser.2	613	+2

SWEDEN

May 29	Kroner	+ or −
AGA B (Free)	252	—
Alfa-Laval B (Free)	600	—
Asea A Free	520	−2
Asea B (Free)	524	+2
Astra B (Free)	272	−3
Atlas Copco A (Free)	377	+10
Electrolux B (Free)	331	+4
Ericsson B (Free)	512	+1
Esselte B (Free)	225	—
Gambro B Free	129	—
Mo Och Dom B Free	390	—
Pharmacia B (Free)	191	+1
Saab-Scania B Free	265	+1
Sandvik B (Free)	342	+2
Skandia (Free)	225	+2
Skandia Intl	250	—
Skan Enskilda	91.5 xc	+0.5
SKF B Free	158	—
St Kopparb'g A Free	412	+2
Sv Cell'sa B (Free)	402	+2
Sv Handelsbn.	160	+1
Trelleborg B Fr	365	−5
Volvo B (Free)	451	—

SWITZERLAND

May 29	Frs.	+ or −
Adia Intl	8,000	—
Alusuisse	1,049	+19
Do. Ptg. Certs.	80	+0
Baloise Hld Ptg	2,240	−70
Bank Leu	2,725	—
Do. Ptg.	315	−3
Brown Boveri	3,610	+85
Do. Ptg.	602	+6
CS Hldgs.	2,330	−90
Ciba Geigy	3,560	+15
Do. (PtCts)	2,755	−25
Elektrowatt	2,720	+5
Elvia	1,780	+5
Fischer (Geo.)	1,600	+10
Do. Ptg.	254	−5
Forbo	2,585	−15
Hoff-Roche (PtCts)	160,000	+2,250
Hoff-Roche 1/10	16,000	+225
Holderbank (Br)	5,250	+25
Holzstoff (Br)	6,750	+150
Inspectorate Int.	1,865 xr	−5
Do. Ptg.	286	+3
Jacobs Suchard	6,810	−40
Do. Ptg.	580	−5
Jelmoli	2,300	—
Do. Ptg. Certs	330	−5
Landis and Gyr	1,250	—
Do Priority Ptg	104	+1
Mag. Globus Ptg	990	−15
Mikron (Br)	2,100	+50
Motor-Columbus	1,385	—
Nestle	7,000	−110
Do. (Reg)	6,400	−85
Oer-Buhrle	1,075	+10
Pargesa Hldg	1,715	+5
Pirelli	303	+3
Sandoz (Br)	10,575	+25
Do. (PtCts)	1,925	+5
Schindler (Br)	5,650	+225
Do. (PtCts)	958	+18
Sika	845	−5
Surveillance	5,500	+40
Swissair	995	+10
Swiss Bank	286	+2
Do. Ptg.	260	−1
Swiss Reinsce	9,700	−125
Do. Ptg.	1,610	−20
Swiss Volksbk	1,655	−5
Union Bank	3,040	+35
Do. Ptg.	111	—
Winterthur	4,260	−50
Do. Ptg.	705	−10
Zurich Ins	4,500	−50
Do. Ptg.	1,910	−15

SOUTH AFRICA

May 29	Rand	+ or −
Abercom	2.75	—
AECI	18	—
Allied Tech	81	—
Anglo Am Coal	64	+1
Anglo Am Corp	75.5	−0.75
Anglo Am Gold	264.5	−1.5
Barlow Rand	37.65	−0.65
Buffels	45	—
CNA Gallo	9.4	—
De Beers	60.9	−0.6
Deelkraal Gold	10.65	−0.15
Driefontein	37.25	−1.25
East Rand Gold	12	—
Elandsrand Gold	23.75	−0.25
First Nat. Bank	14.5	+0.25
Free State Cons Gold	28.5	−0.75
Gold Fields SA	67	—
Hartebeest	24.15	−0.6
Highveld Steel	19.6	−0.25
Kinross Gold	37.15	−0.1
Kloof Gold	32.75	−0.5
Libanon Gold	7.4	−0.1
Malcor Hldgs	19.75	—
Nedcor	8.2	−0.05
OK Bazaars	15	—
Palabora Mining	55	—
Rembrandt	9.25	+0.1
Rust Plat	58.25	−0.75
Safmarine & Ren.	28	—
Sage Holdings	12	—
Smith (CG) Fds	23.5	—
SA Brewers	22.5	−1
SA Mang. Amcor	23	−0.5
Tiger Oats	182	—
Tongaat Hulett	15.7	—
Vaal Reefs	282	−10
Western Deep	114	—

JAPAN

May 29	Yen	+ or −
Ajinomoto	2,730	—
Akebono Brake	948	+3
All Nippon Air	1,860	+10
Alps Electric	1,670	−20
Amada	1,780	—
Amano	1,830	+50
Ando Construct	1,280	+80
Anritsu	2,020	+20
Aoki Corp	1,480	−10
Arabian Oil	6,850	−90
Asahi Breweries	2,170	−40
Asahi Chemicals	1,260	−20
Asahi Glass	2,310	−30
Asahi Optical	962	+16
Asics Corp.	905	+5
Atsugi Nylon	1,320	−10
Bank Tokyo	1,670	−10
Banyu Pharm	1,510	−50
Bridgestone	1,660	—
Brother Inds	1,070	+60
CSK Corp.	5,200	+100
Calpis Food	1,400	−20
Calsonic Corp.	969	+19
Canon	1,790	+10
Canon Sales	3,050	+50
Casio Computer	1,410	+10
Central Finance	872	−8
Central Glass	1,030	−30
Chiba Bank	1,350	+20
Chiyoda Chem	1,690	+30
Chiyoda Fire	1,090	+10
Chubu Elect Pwr	4,370	−80
Chugai Pharm	1,750	−10
Chugoku El Power	3,800	−130
Citizen Watch	1,120	−10
Daicel Chemical	1,130	+10
Daiichi Seiyaku	2,730	—
Daido Steel	1,570	−30
Daiei	2,550	−10
Daifuku	1,570	+80
Dai Ichi Kan Bank	3,350	+10
Daikin Inds	1,770	+50
Daikyo Kanko	3,050	+50
Daimaru	1,150	—
Dai Nippon Ink	940	+6
Dai Nippon Phar	2,420	+40
Dai Nippon Ptg	2,380	−10
Dai Nippon Toryo	980	−10
Daishowa Paper	2,900	+50
Dai Tokyo F&M	1,260	−10
Daiwa Bank	1,710	—
Daiwa House	2,150	−10
Daiwa Sec	2,180	—
Denny's	3,310	+110
Diesel Kiki	1,000	−30
Dowa Fire & Mar	1,050	−10
Dowa Mining	911	−14
Ebara	2,080	+30
Eisai	2,040	+10
Ezaki Glico	1,260	−10
Fanuc	6,210	−20
Fudo Construct	1,100	+10
Fuji Bank	3,520	+40
Fuji Electric	1,150	+10
Fuji Film	3,930	+50
Fuji Fire & Mar	1,060	—
Fuji Heavy Ind	1,050	—
Fujikura	1,280	—
Fujisawa	1,720	−30
Fuji Spinning	853	−15
Fujita Tourist	3,150	+140
Fujitsu	1,520	−10
Furukawa Elect	1,270	+20
Gakken	1,740	—
Gen Sekiyu	1,550	+20
Godo Shusei	1,830	−50
Green Cross	1,570	+10
Gun-Ei Chem	1,020	+25
Gunze	1,160	—
Hankyu Corp.	1,120	+20
Hanshin El Rail	865	—
Hasegawa Kom	1,420	−20
Hattori Seiko	2,380	−10
Hazama-Gumi	1,710	−10
Heiwa Real Est	2,110	−30
Hino Motors	1,140	−20
Hirose Electric	4,240	+40
Hiroshima (Bank)	1,070	—
Hitachi	1,660	—
Hitachi Cable	1,270	−10
Hitachi Credit	1,560	+10
Hitachi Koki	1,680	−20
Hitachi Maxell	2,560	−40
Hitachi Metals	1,660	−30
Hitachi Sales	905	—
Hitachi Zosen	880	+14
Hokkaido Elect.	3,870	−30
Hokkaido Takush	1,090	—
Hokuriku El Pwr	3,880	−70
Honda	2,020	−10
Honshu Paper	1,070	−30
House Food Ind	2,030	−10
Hoya	2,210	—
IHI	1,200	−30
Ihara Chemical	1,020	—
Ikegami Tsush	1,720	+30
Inax	1,860	−10
Indl Bank Japan	4,370	+40
Iseki & Co.	747	+8
Isetan	2,350	−20
Ishihara Sangyo	888	+8
Isuzu Motors	1,050	−20
Itoh (C)	1,060	—
Itoham Foods	1,400	+10
Itoman & Co.	1,340	—
Ito Yokado	3,680	+50
Iwatsu Electric	1,210	−10
Izumiya	2,150	−100
JGC Corp.	1,820	−10
JEOL	1,490	−60
Janome Sew Mach	3,120	—
JAL	16,400	+100
Japan Metals	1,080	+30
Japan Radio	1,780	−30
Japan Steel Wks	1,230	+30
Jap S Battery	1,100	−30
Japan Synth Rbr	1,290	+20
Japan Wool	2,000	+10
Jujo Paper	1,330	—
Jusco	2,000	—
Kagome	1,610	+50
Kajima	2,210	−10
Kaken Pharm	1,680	+20
Kandenko	3,420	+20
Kanebo	859	−1
Kanegafuchi Chm	1,030	—
Kanematsu-Gosho	874	+14
Kansai Elect Power	4,760	−80
Kansai Paint	1,040	—
Kao Corp	1,700	−10
Kashiyama	1,880	−60
Kawasaki Heavy	1,160	−10
Kawasaki Kisen	970	+64
Kawasaki Steel	1,030	−20
Keihin Elec Exp	1,750	+20
Keio Teito Elec	1,440	−30
Kikkoman	1,250	−30
Kinki Elec Cons	2,980	+30
Kinki Nippon Rl	1,390	+10
Kirin Brewery	1,970	−20
Kobe Steel	877	−11
Koito Mfg	4,150	+150
Kokusai Electric	2,940	+20
Kokuyo	3,090	—
Komatsu	1,370	+20
Konica	1,160	—
Korakuen	4,140	+10
Koyo Seiko	1,230	−50
Kubota	1,270	+20
Kumagai-Gumi	1,780	+20
Kumiai Chemical	1,030	−10
Kurabo Inds.	815	+1
Kuraray	1,330	−10
Kureha Chemical	1,200	+20
Kurita Water	1,360	−10
Kurosaki Refrac	1,070	+10
Kyocera	5,110	—
Kyodo Shiryo	826	+11
Kyotaru	1,950	—
Kyowa Bank	1,380	—
Kyowa Hakko	1,540	−30
Kyushu Electric	3,850	−50
Lion	1,040	−10
Long Term Cred.	20,600	+200
Maeda Construct	1,860	−50
Makino Milling	1,180	+10
Makita Elect Wk	1,820	+30
Marubeni	958	+17
Marudai Food	1,400	+20
Marui	2,790	+10
Maruichi Steel	1,920	−40
MEI	2,450	−30
Matsu Elect. Wks.	2,060	−10
Matsushita Koto	2,130	−10
Matsushita Refrig	1,690	—
Mazda Motors	1,010	−10
Meiji Milk	1,050	+10
Meiji Seika	1,150	—
Mikuni Coca Cola	1,820	+20
Minebea	1,140	+10
Minolta Camera	987	+7
Misawa Homes	2,640	+240
M'bishi Bank	3,170	+20
M'bishi Belting	1,400	+10
M'bishi Corp	1,560	—
M'bishi Elec	1,180	−10
M'bishi Estate	2,460	+10
M'bishi Gas Chem	995	−25
MHI	1,160	+10
M'bishi Kasei	1,190	+10
M'bishi Metal	1,170	−10
M'bishi Min Cmt	989	−2
M'bishi Oil	1,190	−10
M'bishi Paper	1,410	—
M'bishi Petchem	1,680	−20
M'bishi Plastics	970	−10
M'bishi Rayon	873	−5
M'bishi Steel	2,380	−90
M'bishi Tst	2,700	−20
M'bishi Warehse	1,800	—
Mitsui Bank	2,280	+20
Mitsui Co.	1,140	—
Mitsui Eng Ship	940	−10
Mitsui Mng & Sm	910	−15
Mitsui Osk Line	985	+5
Mitsui Petchem	1,960	−30
Mitsui Real Estate	2,550	−20
Mitsui Toatsu	1,140	+10
Mitsui Tst & Bkg	2,050	+10
Mitsui Warehse	1,290	−10
Mitsukoshi	2,450	—
Mitsumi Elect	1,050	−10
Miyaji Iron Wks	900	+4
Mizuno Sporting	1,490	−30
Mochida Pharm	3,500	+50
Morinaga Milk	975	+25
Mori Seiki	2,950	−40
Murata Mfg	2,700	−50
NEC	1,860	—
NGK Insulators	1,690	+30
NGK Spark Plug	1,360	—
NHK Spring	1,040	+30
NKK Corp.	910	+10
NOK Corp.	1,560	+40
NTN Toyo Brg	1,070	+10
Nachi Fujikoshi	1,090	−30
Nagasakiya	4,360	−20
Nagase	1,400	+40
Nagoya Railroad	1,330	+20
National House	1,860	+80
Nichii	2,540	—
Nichirei	1,260	+10
Nihon Cement	1,260	−10
Nihon Nosan	846	−9
Nihon Parkeriz.	1,150	+10
Niigata Eng	921	+2
Nikko Sec	1,830	−20
Nikon Corp.	1,490	−10
Nippon Cred Bnk	15,000	—
Nippon Denko	1,140	+20
Nippon Denso	2,320	−30
Nippon Elect Gl	2,530	−40
Nippon Express	1,530	—
Nippon Fire	1,170	+20
Nippon Flour	950	+5
Nippon Hodo	2,880	+50
Nippon Kayaku	1,400	+30
Nippon Lt Metal	1,030	−20
Nippon Meat Pack	2,050	+20
Nippon Mining	948	−6
Nippon Oil	1,590	+10
Nippon Paint	979	+6
Nippon Road	1,700	+60
Nippon Sanso	1,110	+10
Nippon Seiko	1,090	−10
Nippon Sharyo	1,650	+50
Nippon Sh Glass	1,120	+10
Nippon Shinpan	1,420	−10
Nippon Shinyaku	1,580	+10
Nippon Soda	984	−3
Nippon Stainless	1,410	—
Nippon Steel	896	−7
Nippon Suisan	892	−9
Nippon TV	23,300	+200
Nippon Yakin	1,480	−10
Nippon Yusen	1,090	+20
Nippon Zeon	1,020	—
Nishimatsu Cons	1,700	—
Nissan Diesel	1,020	−60
Nissan Motor	1,570	−10
Nissei Sangyo	1,850	—
Nisshin Flour	1,700	—
Nisshin Oil	1,150	+10
Nisshinbo Inds.	1,490	—
Nissho Iwai	970	—
Nissin Electric	1,320	+10
Nissin Food	3,210	+20
Nitsuko	1,400	−60
Nitto Boseki	870	−2
Nitto Elect Ind	2,070	−70
Nomura	3,340	−10
Noritake	1,520	−10
Odakyu Elec Rly	1,520	+20
Ohbayashi-Gumi	1,870	+60
Oji Paper	1,940	−20
Oki Electric	1,120	+10
Okuma Mach	1,600	−30
Okumura-Gumi	1,910	—
Olympus	1,340	—
Omron Tateisi	2,670	−40
Onoda Cement	1,080	—
Ono Pharm	4,490	—
Orient Finance	1,460	−20
Orient Leasing	4,160	+20
Osaka Gas	902	−13
Penta Ocean Con	1,540	—
Pioneer	3,400	−20
Prima Meat Pack	909	+7
Renown	1,100	—
Ricoh	1,270	−10
Royal Ch	2,430	−10
Ryobi	993	+8
Saitama Bank	1,610	−10
Sanden	1,090	—
Sankyo	2,470	−40
Sanraku	1,340	—
Sanrio	4,250	−100
Sanwa Bank	2,700	+10
Sanwa Shutter	1,580	+30
Sanyo Elect	960	−8
Sanyo Kokusaku	1,180	−10
Sapporo	1,780	−10
Secom	6,210	−190
Seibu Railway	4,960	−190
Seino Transport	2,520	+50
Seiyu	2,170	−10
Sekisui Chem	1,480	—
Sekisui House	2,020	+20
Settsu	1,170	−10
Seven-Eleven	6,850	—
Sharp	1,400	+20
Shikoku El Pwr	3,800	−10
Shimizu Corp.	2,090	+10
Shin-Etsu Chem	1,950	+10
Shionogi	1,620	−20
Shiseido	1,730	—
Shochiku	3,730	+20
Shokusan Jutaku	1,120	+20
Showa Aluminium	1,030	—
Showa Denko	1,250	+20
Showa Elec Wire	1,280	—
Showa Sangyo	858	+2
Showa Shell Sek	1,500	−30
Skylark	2,710	—
Snow Brand Milk	1,300	+20
Sony	7,400	−100
Stanley Electric	1,180	—
Sumitomo B'lite	934	+8
Sumitomo Bank	3,560	+50
Sumitomo Cement	955	−20
Sumitomo Chem	975	−5
Sumitomo Corp	1,400	−10
Sumitomo Elect	1,540	—
Sumitomo Heavy	1,220	−10
Sumitomo Light M	924	−1
Sumitomo Marine	1,330	+10
Sumitomo Met In	900	−8
Sumitomo Met Mng	1,430	—
Sumitomo Realty	1,880	−10
Sumitomo Tr & Bk	2,540	+30
Sumitomo W'hse.	1,090	−20
Suzuki Motor	925	+5
TDK	5,110	+10
Taisei Corp	1,760	−20
Taisho Marine	1,330	—
Taisho Pharm	2,260	−30
Taiyo Fishery	900	−8
Taiyo Kobe Bank	1,350	—
Takaoka Elect.	1,200	—
Takara Shuzo	932	+7
Takashimaya	3,100	+50
Takeda	2,460	—
Tanabe Seiyaku	1,790	+30
Teijin	900	—
Teikoku Oil	1,110	−20
Tekken Constr.	1,480	−30
Toa Harbour Wks	1,340	—
Toa Nenryo Kyo	1,870	+10
Tobishima	1,480	−10
Tobu Railway	1,580	+10
Toei Co.	1,160	−10
Toho	26,300	+100
Tohoku Electric	3,930	+100
Tokai Bank	2,250	−10
Tokai Carbon	1,050	—
Tokico	1,020	—
Tokio Marine	2,040	−10
Tokuyama Soda	1,020	+10
Tokyo B'casting	2,510	−40
Tokyo Electric Pwr	6,020	−50
Tokyo Electron	3,330	−10
Tokyo Gas	1,140	−20
Tokyo Rope	1,620	+60
Tokyo Steel	4,400	+130
Tokyo Style	1,780	—
Tokyu Car	1,420	+20
Tokyu Corp	1,710	+10
Tokyu Land	1,290	—
Toppan Print	1,980	−20
Toray	1,040	—
Toshiba Elect.	1,390	+20
Toshiba Eng Con	1,380	+30
Toshiba Machinery	1,030	+10
Toshoku	958	−11
Tosoh Corp	960	+10
Toto	2,450	—
Toyo Construct	1,260	−20
Toyoda Aut Loom	1,980	−10
Toyo Ink	940	—
Toyo Jozo	1,380	—
Toyo Kanetsu	1,100	—
Toyo Seikan	2,800	−10
Toyota Motor	2,700	−20
Toyo Tire	1,000	−20
Tsubakimoto Chn	1,140	−20
Tsugami	980	—
UBE Inds	420	+5
Unitika	837	—
Victor	2,370	−10
Wacoal	1,270	+30
Yamaha Corp	1,800	+30
Yamaha Motor	1,460	+30
Yamaichi Sec	1,870	+50
Yamanouchi	3,510	−30
Yamatake H'ywell	2,440	−30
Yamato Kogyo	2,010	−40
Yamato Trans	1,870	−30
Yamazaki Baking	1,530	+10
Yasuda Fire	1,310	+10
Yasukawa Elect.	1,180	+30
Yokogawa Elect	1,880	−10
Yokohama Bank	1,490	+10
Yokohama Rubber	1,280	—
Yomiuri Land	2,200	−50
Yoshitomi Pharm	1,390	+10
Yuasa Battery	1,340	—

AUSTRALIA

May 29	Aust$	+ or −
AWA	1.03	—
Aberfoyle	4.90	—
Adelaide Steams	6.50	+0.02
Amatil	12.15	+0.05
Amcor	4.43	−0.07
Ariadne Aust	0.16	—
Arnotts	6.00	—
Ashton	1.35	+0.01
ANZ Group	5.10	+0.02
Aust. Gas Light	1.90	−0.12
Aust Nat Inds	1.44	—
BHP	8.54	+0.26
BHP Gold	0.45	−0.04
BTR Nylex	4.92	—
Bell Group	0.67	−0.15
Bell Resources	1.04	—
Bond Corp Hldgs	1.17	−0.08
Boral	3.35	+0.01
B'ville Copper	2.18	+0.08
Brambles Inds	13.00	+0.1
Bridge Oil	0.81	−0.01
Bundaberg Sugar	2.92	+0.02
Burns Philp	3.10	−0.05
CRA	9.00	+0.12
CSR	4.71	+0.05
Caltex Aust.	2.20	—
Central Norseman	0.57	+0.01
Chase Corp	0.27	—
Claremont Petro	0.16	−0.04
Coal Allied Ind	6.26 xr	+0.92
Coles Myer	8.52	—
Comalco 'A'	3.72	+0.02
C'wealth Ind Gas	4.90	+0.1
Consolidated Pet	0.13	—
Duke Group	0.04	—
Elders IXL	2.59	−0.01
Energy Res	2.12	+0.07
FAI Insurances	2.70	−0.1
Gen Prop Trust	2.56	−0.01
Giant Res.	0.41	—
Goodman Fielder	2.35	+0.06
Hardie (J)	2.30	−0.08
Hartogen Energy	1.05	—
ICI Aust	6.32	−0.02
Industrial Equity	1.85	+0.02
Jennings Inds	2.05	—
Jones (David)	10.00	—
Kidston Gold	2.38	−0.02
Lend Lease	10.40	−0.2

AUSTRALIA (continued)

May 29	Aust$	+ or −
MIM	1.88	−0.01
McPhersons	1.00	−0.01
Mayne Nickless	5.56	−0.02
Nat. Aust. Bank	6.42	—
Nat Consolidated	2.94	−0.02
Newmont Aust.	0.78	—
News	14.30	+0.2
N Bkn Hill Peko	2.35	−0.04
North Kalgurli	0.25	−0.01
Northern Star	1.08	—
Oakbridge	0.42	—
OPSM	2.00	−0.1
Pacific Dunlop	4.52	+0.08
Pancont'l	1.60	+0.04
Petersville Sl.	2.85	+0.03
Pioneer Intl.	2.56	—
Pioneer Mining	0.39	−0.03
Placer Pacific	2.62	+0.09
Poseidon	2.25	−0.05
Renison Gldflds	6.90	−0.1
Rothmans Aust.	9.26	−0.04
SA Brewing	2.08	−0.05
Santos	3.72	+0.04
Smith (H.)	4.95	−0.05
Sons of Gwalia	5.04	−0.06
Thos Nationwide	3.44	+0.07
Tooth	7.50	−0.4
Tubemakers Aust	2.72	−0.03
Vamgas	2.55	+0.2
Western Mining	5.00	−0.14
Westfield Hldg	2.95	−0.15
Weston (G)	5.24	—
Westpac	5.14	−0.06
Woodside Petrol	2.30	—
Wormald Intl	2.15	—

HONG KONG

May 29	H.K.$	+ or −
Amoy Props.	3.15	+0.08
Bank East Asia	16.40	+0.7
Cathay Pacific	9.35	+0.25
Cheung Kong	9.45	+0.3
China Light	13.50	+0.5
China Motor	28.20	+1.1
Cross H'bour Tnl	13.40	+0.4
Dao Heng Hldgs	1.30	—
Evergo	2.37	+0.17
Hang Lung	4.95	+0.08
Hang Seng Bank	24.50	+0.7
Harbour Centre	9.05	+0.25
Henderson Inv.	1.89	+0.09
Henderson Land	5.40	+0.1
HK Aircraft	20.00	—
HK China	18.80	+0.3
HK Electric	7.60	+0.2
HK Land	9.50	+0.25
HK Realty & Tr A	5.15	+0.18
HK Shanghai Bank	6.05	+0.1
HK Shanghai Hotels	5.55	+0.2
HK Telecomms.	5.10	+0.1
Hopewell Hldgs	2.47	—
Hutchison Wpa	10.30	+0.3
Hysan Dev	1.47	+0.07
Indust Equity P	12.20	+0.1
Jardine Math	20.80	+0.5
Jardine Strgic	12.10	+0.9
Kowloon Motor	7.60	+0.2
Mandarin Orient	5.05	+0.08
Nan Fung Text.	10.70	+0.3
New World Dev	10.90	+0.4
Realty Dev A	8.35	—
SHK Props	11.90	+0.3
Shaw Bros.	4.87	+0.25
Shell Elec. Mfg	1.18	+0.02
Sime Darby	3.27	+0.12
Sun Hung Kai	2.27	+0.17
Swire Pac A	19.00	+0.2
Do B	3.25	+0.13
Tele B'cast	10.80	+0.4
Wharf Hldgs	9.60	+0.4
Wing On Co	5.85	+0.2
Winsor Ind	9.15	+0.3
World Intl Hldgs	4.32	+0.12
Zung Fu	3.27	+0.07

SINGAPORE

May 29	S$	+ or −
Boustead Hldgs	1.46	+0.01
Cerebos Pacific	5.45	−0.1
Cold Storage	3.50	−0.02
DBS	9.60	+0.1
Fraser & Neave	9.70	+0.05
Genting	5.80	+0.1
Haw Par Bros	3.12	+0.02
Hong Leong Fin	3.32	+0.06
Inchcape Bhd	6.00	—
Keppel Corp.	4.26	+0.1
Malayan Banking	5.75	+0.15
Malayan Utd Ind	2.32	+0.01
Multi Purpose	0.97	−0.02
OCBC	10.00	+0.1
OUB	3.86	+0.04
Public Bank	1.42	−0.02
Sime Darby	3.76	+0.04
S'pore Air Free	17.80	−0.2
Singapore Press	7.50	−0.1
Straits Trading	4.24	—
Tat Lee Bank	3.08	—
UOB	5.65	+0.05

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm prices May 29

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
3651	AMCA Int	490	485	485	−0
6453	Abitibi Pr	$19¾	19⅝	19¾	
5100	Agnico E	$8⅞	8⅞	8⅞	−⅛
8886	Albrta En	$16¼	16	16⅛	
1006	Albrta N	$16¾	16½	16¾	+⅛
31450	Alcan	$27⅛	26⅞	27	
200	Algo Cent	$21⅞	21⅞	21⅞	
1200	A Barrick	$23⅝	23⅝	23⅝	
200	Alco I f	$10⅞	10⅞	10⅞	−⅛
61325	BCE Inc	$38½	38¼	38⅜	−⅛
7082	BCE D	272	272	272	−2
2650	BCE Mobl	$36½	35¾	35¾	−½
1700	BC Sugar A	$18⅞	18⅝	18⅝	−⅛
500	BGR A	$9¼	9¼	9¼	−⅛
137156	BP Canada	$16½	16⅜	16½	+⅛
77931	Bk Montl	$30⅞	30⅝	30⅞	
99012	Bk NScot	$17½	17⅜	17⅜	
500	Baton	$13	13	13	+⅛
4600	Belmoral	88	87	88	+1
4550	Bombdr A	$12½	12⅛	12⅜	+¼
7200	Bombdr B	$12⅝	12½	12½	−⅛
3644	Bow Valy	$16	15⅞	15⅞	−¼
1600	Bramalea	$29⅞	29⅝	29⅞	
14417	Brascan A	$28¼	28⅛	28¼	−⅛
12800	Brinwater	295	290	295	−5
9946	BC Phone	$15⅛	15⅛	15⅛	+⅛
4021	Brunscor	$17	16⅞	16⅞	
27760	CAE	$13⅞	13¾	13¾	
940	CCL B I	$10⅛	10	10⅛	−⅛
3200	Cambior	$12½	12¼	12⅜	
1143	Cambridg	$31⅝	31⅜	31⅝	+⅛
8448	Camp Res	85	84	85	−2
1200	Camp Soup	$22	22	22	
3000	Campeau f	$16⅛	16⅛	16⅛	
30000	C Nor West	$7⅞	7⅞	7⅞	
90375	C Packrs	$14⅛	13⅞	14⅛	+⅛
109200	C Express f	106	104	105	+1
184	CG Invest	$44⅛	44⅛	44⅛	+½
21693	CI Bk Com	$29⅞	29⅝	29¾	
1100	C Occdntal	$19⅝	19⅜	19⅝	−⅛
1600	CP Forest	$43½	43⅛	43½	−⅛
31025	CP Ltd	$22⅛	22⅛	22⅛	−⅛
3178	CTire A f	$21½	21⅜	21½	+⅛
1800	CUtil A f	$20⅝	20⅝	20⅝	−⅛
400	CUtil B	$20⅝	20⅝	20⅝	
2700	Canamax o	310	300	300	−10
2300	CanamA f	$6⅞	6⅝	6⅝	
200	Canfor	$24½	24⅜	24⅜	+⅛
1400	Canena	$24	24	24	
1100	Celanese	$32	31¾	32	+½
00	Cen Capital	$11⅛	11⅛	11⅛	
103380	CenCap A	$10	9⅞	10	+⅛
475	CentFd A	$5⅞	5⅞	5⅞	
10314	C Guar Trc	$22⅛	22⅛	22⅛	
2700	Charan	135	134	134	
72965	Cineplex	$16	15⅜	15⅞	+½
11879	Cominco	$25⅝	25⅜	25⅝	
300	Compoflog	460	460	460	+10
4530	Connaught	$29⅛	28	28	
100	C HCI A f	$9⅛	9⅛	9⅛	
2551	Consum Gas	$28½	28	28	−⅛
26	Conwest B	$11½	11½	11½	
300	Corby A	$27	26⅞	26⅞	
237990	Corona A f	$8⅞	8⅝	8⅝	−⅛
400	Crownx	$11⅛	11⅛	11⅛	
6400	Crownx A f	$5⅞	5⅞	5⅞	
1601	Denison A	495	495	495	+5
727	Denison B f	490	480	490	+10
2100	Derlen	$14¼	14	14¼	+⅛
1712	Dickson A f	470	470	470	−5
8454	Dofasco	$27⅞	27⅝	27⅝	−⅛
5984	D Textile	$15¼	15	15⅛	−⅛
5184	Domtar	$15⅞	15⅝	15⅞	+⅛
2350	Dumagmi o	$12⅛	12⅛	12⅛	+⅛
3200	Du Pont A	$24	24	24	+⅛
100	Dylex A	$11⅛	11⅛	11⅛	
15000	Echo Bay	$16⅛	16	16	
22500	Emco	$12	11⅞	12	+⅛
7900	EmpireA f	$14⅞	14⅞	14⅞	
3000	Enfield	$7	7	7	
14100	EquitySv A	410	410	415	+15
23400	FCA Intl	$9	8⅞	8⅞	+⅛
1460	FPI Ltd	$7⅛	7⅛	7⅛	
53022	Fcnbrdg	$31⅛	30⅞	31	−⅛
20800	Fed Ind A	$18⅛	18	18	−⅛
2036	Fin Trsco	30	30	30	+5
16	Finning L	$10⅞	10⅞	10⅞	
100	FCity Fin	$27	27	27	
1200	Fortis	$21⅛	21⅛	21⅛	+⅛
100	FourSeasn f	$35½	35½	35½	
81100	Franco o	$9	9	9	
384	GW Util	$22⅛	22⅛	22⅛	
1420	Gandalf	$6⅞	6⅞	6⅞	
600	Gendis A	$20½	20⅜	20⅜	−⅛
900	Giants	130	130	130	+6
3300	Goldcorp f	380	375	380	
11240	Gld Knight	$7⅞	7⅝	7⅝	−⅛
45800	Grangea	295	285	290	
100	GL Group	$19⅝	19½	19⅝	+⅛
1400	Greyhnd	$28⅛	28⅛	28⅛	+⅛
16672	Gull Res	$15⅛	15⅛	15⅛	−⅛
2000	Haley	$6⅞	6½	6½	−⅜
109900	Harris A	$8⅝	8	8⅝	−⅛
271	Hayes D	$14⅛	14⅛	14⅛	
5810	Hees Intl	$29⅛	28⅝	28⅝	−⅛
7655	Hemlo	$13	12⅞	13	+⅛
1900	Hollingr	$14⅛	14	14⅛	+⅛
108600	Horsham f	$9	8⅞	9	+⅛
3365	H Bay Co	$29⅛	28⅞	29⅛	+⅛
706	Imasco L	$32⅛	32	32⅛	+⅛
8726	Imp Oil A	$54⅛	54⅛	54⅛	−⅛
36997	Inco	$36	35⅞	35⅞	−⅛
2875	Inland Gas	$14⅝	14½	14½	
1400	Innopac	$11⅝	11⅝	11⅝	−⅛
8615	Inter City	$23⅞	23⅝	23⅝	−⅛
1950	Interhome	$46	46	46	+⅛
3800	Intl Thom	$17⅝	17⅝	17⅝	
2313	Inv Grp	$19	19	19	
504	Ipsco	$19⅛	19⅛	19⅛	+⅛
9255	Ivaco A f	$12⅛	11⅞	12⅛	+⅛
1000	Ivaco B	$11⅛	11⅛	11⅛	−⅛
2000	Jannock	$19⅝	19⅛	19⅛	−⅛
200	Kelly DA	$78	78	78	
3	Kerr Add	$19½	19½	19½	
12205	Labatt	$23⅞	23½	23½	
51467	Lac Mnrls	$10½	10⅜	10⅜	−⅛
188	Lafarge p	$19⅝	19⅜	19⅜	+⅛
5677	Laidlaw A	$17	16⅞	16⅞	
24900	Laidlw B f	$16	15⅞	15⅞	−⅛
400	Laur Gr B	$7⅞	7⅞	7⅞	
875	LawsnM A	$12⅛	12⅛	12⅛	−⅛
27146	Loblaw Co	$13⅛	13	13⅛	+⅛
2369	Lonvest	$21⅞	21⅛	21⅛	+⅛
27660	Mac Kenzie	$8⅛	8⅛	8⅛	+⅛
64837	Maclan H X	$13	12⅞	12⅞	−⅛
5700	Mcln HY f	$11⅛	11⅛	11⅛	−⅛
10972	Macmilan	$18⅛	18⅛	18⅛	
14080	Magna A f	$13⅛	13⅛	13⅛	
100	Maritime f	$18⅛	18⅛	18⅛	−⅛
1795	Mark Res	$7⅞	7½	7½	−⅛
10800	Metall M	$11⅛	11⅛	11⅛	−⅛
60	Minnova	$18⅝	18⅝	18⅝	
3700	Mitel Corp	305	305	305	
307162	Molson A f	$38⅞	38	38⅛	−⅛
2100	Molson B	$38⅛	38	38	−½
15300	Moore	$36⅞	36⅛	36⅛	
2000	Muscocho	320	315	320	−10
11140	Nat Bk Can	$13⅞	13⅛	13⅞	
17200	N Business	128	123	128	−2
7086	NewTel Ent	$20	19⅞	20	
21600	Noma A	$14	13⅞	14	+⅛
1625	Noranda F	$14⅛	14	14	−⅛
16600	Noranda	$22⅛	22⅛	22⅛	+⅛
12297	Norcen	$24⅛	24⅛	24⅛	
11861	Norcn A f	$22⅛	22⅛	22⅛	
8205	NC Oils	$19⅝	19⅛	19⅛	+⅛
34048	Nor Tel	$20⅞	20⅝	20⅝	−⅛
1000	Northgat	$8	8	8	
54071	Nova f	$10⅞	10⅝	10⅞	
1000	Noverco	$12⅛	12⅛	12⅛	+⅛
7900	Numac	$9⅞	9⅛	9⅛	+⅛
7400	Ocelot B f	$11⅛	10⅞	11	+⅛
1350	Oshawa A f	$25⅛	25⅛	25⅛	+⅛
149209	PWA Corp	$17⅛	16⅞	17⅛	+⅛
51600	Pguria A f	$9⅛	9	9⅛	
6400	PanCan P	$28⅝	28⅛	28⅛	+⅛
100	Pegasus	$11⅛	11⅛	11⅛	−⅛
10851	Pioneer M	114	105	105	−8
30380	Placer Dm	$15⅛	15⅛	15⅛	
41250	Poco Pet	$7⅞	7⅛	7⅛	+⅛
18920	Powr Cor f	$18⅛	18⅛	18⅛	+⅛
4550	Powr Fin	$19⅞	19⅞	19⅞	
15234	Provigo	$10	9⅞	9⅞	
1035	Que Tel	$14⅞	14⅞	14⅞	
100	Quebcor A	$18⅛	18⅛	18⅛	+⅛
8314	Ranger	$8⅞	8⅝	8⅝	−⅛
200	Redpath	$20⅛	20⅛	20⅛	+⅛
28540	Renisance	$18⅛	18⅛	18⅛	+⅛
250	Repap f	$12⅛	12⅛	12⅛	
1408	Rogers B f	$100½	107½	108½	+2
700	Roman	$12	12	12	−⅛
18441	Royal Bnk	$44⅛	43⅞	44	−⅛
4000	SHL Syst	$11⅛	11⅛	11⅛	+⅛
1100	StL CemA f	$18⅛	18	18⅛	+⅛
17400	Saskoil	$10⅞	10½	10⅞	
3217	Sceptre	425	420	420	−5
1600	Scot Paper	$17½	17½	17½	
4100	Scotts f	$18⅛	18⅛	18⅛	+⅛
3900	Scotts C	$17⅛	17⅛	17⅛	−⅛
2429	Seagram	$90⅞	90½	90⅞	+⅛
1804	Sears Can	$13⅛	13⅛	13⅛	+⅛
1700	ShawC B f	$12⅛	12	12	−⅛
3800	Shell Can	$44⅞	44⅞	44⅞	
20577	Sherritt	$12⅛	12⅛	12⅛	
100	Sico	$13½	13½	12½	+⅛
6500	Southam	$34⅛	33⅞	34⅛	+⅛
1996	Spar Aero f	$14	13⅞	13⅞	−⅛
780	Steinbg A f	$39	39	39	
15350	Stelco A	$23⅞	23½	23⅞	+⅛
29155	TCC Bev	$10⅛	10⅛	10⅛	
20426	Teck B f	$20½	19⅞	20⅛	
100	Tele Met	$10⅛	10⅛	10⅛	−⅛
300	Tembec A	$9⅞	9⅞	9⅞	
10400	Terra Mn	33	32	32	−1
72800	Thom N A	$29⅛	29⅛	29⅛	+⅛
40200	Tor Dm Bk	$41⅞	41⅞	41⅞	+⅛
1540	Tor Sun	$23⅛	23⅛	23⅛	+⅛
19020	Torstar B f	$32⅛	32⅛	32⅛	−⅛
12625	TrnAlta U	$14⅛	14⅛	14⅛	−⅛
42801	TrCan PL	$14⅛	14½	14½	−⅛
3230	Trilon A	$20⅞	20⅞	20⅞	
42106	Trimac	415	410	415	
1220	Trizec A f	$34	34	34	
440	Unicorp A	$6⅛	6⅛	6⅛	−⅛
5800	UnigescoB f	350	345	350	+0
1000	Un Carbid	$21⅛	21⅛	21⅛	−⅛
1791	U Entrprse	$9⅞	9⅞	9⅞	
59100	Varity C	320	315	320	+5
4100	Viceroy R	425	420	420	−10
39600	Videotrn f	$16⅛	16	16	
500	Weldwood	$15½	15½	15½	−⅛
170	Wst Fraser	$17⅛	17⅛	17⅛	−⅛
23213	Wcoast E	$18½	18⅛	18⅛	
3400	Westmin	$9½	9½	9½	
3650	Weston	$40⅞	39⅞	40⅛	+⅛
300	Woodwd A	$6	6	6	
2000	Xerox Can	$18⅛	18⅛	18⅛	

f — No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	May 26	May 25	May 24	May 23	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2493.77	2482.59	2483.87	2478.01	2502.02 (22/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.38	90.38	90.62	90.45	90.62 (24/5)	87.35 (23/3)	—	—
Transport	1165.59	1152.65	1154.27	1155.56	1165.59 (26/5)	959.95 (3/1)	1165.59 (26/5/89)	12.32 (8/7/32)
Utilities	201.16	199.27	199.74	199.38	201.16 (26/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2501.83 (2498.72) Low 2473.06 (2467.56)

STANDARD AND POOR'S	May 26	May 25	May 24	May 23	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	321.59	319.17	319.14	318.32	321.98 (22/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	369.19	366.50	366.05	364.72	369.19 (26/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.05	29.81	29.80	29.85	30.07 (22/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	179.31	178.05	177.97	177.61	179.35 (22/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	355.01	352.65	351.00	350.96	355.01 (26/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	445.21	442.89	441.49	440.15	445.21 (26/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 19	May 12	May 5	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.43	3.51	3.68
	May 24	May 17	May 10	year ago (approx.)
S & P Industrial div. yield	3.03	3.04	3.12	2.94
S & P Indl. P/E ratio	13.46	13.42	13.54	15.35

TRADING ACTIVITY

† Volume Millions	May 26	May 25	May 24
New York	143.619	154.916	178.600
Amex	11.732	11.457	11.415
OTC	(u)	129.663	122.357

NEW YORK	May 26	May 25	May 24
Issues Traded	1950	1968	1,946
Rises	1025	819	768
Falls	412	636	640
Unchanged	513	513	538
New Highs	129	110	81
New Lows	16	12	25

CANADA

TORONTO	May 26	May 25	May 24	May 23	1989 High	1989 Low
Metals & Minerals	3402.5	3410.8	3376.9	3360.2	3564.9 (6/2)	3207.5 (3/1)
Composite	3683.2	3667.8	3667.5	3657.7	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1889.31	1881.89	1884.79	1885.76	1901.24 (19/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Texaco	5,492,200	55	−1⅛
Texas Utilities	2,119,900	31	+¼
UNC Inc	2,054,300	7⅝	
Maytag	1,682,800	23	−½
Sea Containers	1,665,700	57⅝	+9⅝
Eastman Kodak	1,561,000	45⅝	+¼
Avon Prod	1,557,500	36⅞	+1⅛
Gen Electric	1,545,600	54⅞	+1⅛
Unisys Corp	1,481,500	26⅞	+⅝
Citizens	1,427,600	33½	+1⅛

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

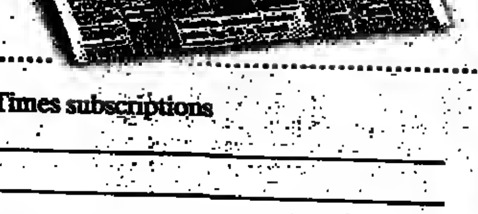
	May 29	May 26	May 25	May 24	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1535.9	1530.8	1544.1	1571.2	1583.7 (25/5)	1412.9 (7/4)
All Mining (1/1/80)	690.7	684.7	687.5	698.9	727.0 (26/1)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	320.93	319.47	(c)	316.34	320.93 (29/5)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	(u)	6118.82	6092.89	6049.80	6118.82 (26/5)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	303.84	301.35	302.74	305.32	310.64 (16/5)	275.49 (27/2)
FINLAND Unitas General (1975)	807.6	804.8	803.8	801.4	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	477.8	478.5	469.4	466.5	478.5 (26/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	112.2	112.0	111.7	110.1	112.2 (29/5)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	576.57	575.36	(c)	573.72	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1713.0	1708.4	(c)	1703.3	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1385.57	1375.94	(c)	1372.09	1394.62 (17/4)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	2845.01	2765.67	2752.51	3008.73	3309.64 (15/5)	2706.69 (3/1)
ITALY Banca Com. Ital. (1972)	609.18	603.40	600.14	601.06	620.30 (24/4)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	34160.83	34191.62	34005.39	33851.8	34191.62 (26/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2531.27	2531.16	2519.50	2509.73	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS CBS TU. Ret. Gen. (End 1983)	245.1	243.6	243.4	241.4	245.1 (29/5)	208.3 (3/1)
CBS All Shr (End 1983)	190.9	189.8	189.7	188.1	190.9 (29/5)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	651.74	651.28	649.72	644.7	665.61 (19/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1265.49	1269.58	1257.72	1280.57	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1378.0	1411.0	1398.0	1382.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2420.0	2440.0	2390.0	2380.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	312.69	310.27	(c)	309.20	312.69 (29/5)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	4050.2	(u)	4035.2	4012.9	4050.2 (29/5)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	664.8	665.3	666.6	668.8	686.0 (28/4)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	507.3	500.9	498.4	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 29 May 1989

	Stocks Traded	Closing Prices	Change on day
Toshiba	68.4m	1,390	−10
Ohbayashi	40.8m	1,870	+90
Kawasaki Kisen	32.7m	970	+04
KHI	28.4m	1,160	−10
Toda	26.0m	1,960	+80
Kawasaki Steel	20.9m	1,030	−20
Furukawa Elec	17.8m	1,270	+20
Hitachi Zosen	15.6m	880	+14
Nippon Steel	15.1m	896	−7
MHI	14.8m	1,160	+10



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WORLD STOCK MARKETS

ASIA PACIFIC

Dollar strength depresses Nikkei

Tokyo

THE STRENGTH of the dollar against the yen pushed share prices to a weaker close after an early bout of buying had lifted the Nikkei average to a record high, *agencies report from Tokyo.*

The market index ended lower despite the removal of uncertainties over who will be the next prime minister and over prospects for an increase in the Japanese discount rate. The Nikkei closed 30.79 easier at 34,160.83 after reaching a high of 34,337.94 near the opening on the first day of trade for June delivery. The day's low was 34,102.28.

Volume rose to 934m shares from Friday's 730m as brokers dealt actively on their own accounts. The Topix index of all listed stocks edged up 0.11 to 2,531.27. Rising stocks led falls by 469 to 408, with 204 issues unchanged.

"Investors don't have confidence," said Mr Takahide Furuhashi, analyst for DB Capital Markets (Asia) Ltd. "The dollar is up and there's no consensus on a theme."

According to government sources, the Bank of Japan will decide today to raise its discount rate by 0.75 of a percentage point to 3.25 per cent, effective from tomorrow. The Bank of Japan had no comment.

Mr Furuhashi said this would have no effect. "The market won't rise or fall on the rate rise this week. It's used to the idea of a 0.75-point rise."

One reason for a discount rate rise is to curb the dollar's surge against the yen. But shares yesterday fell back as the yen dropped sharply to the Y145 level against the dollar. Some dealers said the expected 0.75 point rise had already been discounted in currency markets.

Meanwhile, Mr Sosuke Uno, the foreign minister, is now widely forecast to succeed to the premiership later this week. This relieved some market uncertainty over who would succeed Mr Noboru Takeshita, the prime minister, who announced his resignation on April 25 following the Recruit affair.

"It's good news for the market. Political concerns have dissipated," said Mr James Tregear, manager of Japanese equities for S.G. Warburg Securities (Japan).

Heavy electric stocks such as Hitachi, Toshiba and Mitsubishi Electric began trading higher but eased towards the close of the morning session. Toshiba topped the list of most active stocks, closing Y10 lower at Y1,390 on 66.38m shares traded.

Leading steel stocks were also weaker, with Kawasaki Steel off Y20 at Y1,030 as 20.86m shares changed hands.

Shipping issues, on the other hand, attracted demand, and Kawasaki Kisen rose Y64 to Y970 in the third most active trading of 32.66m shares.

The market was helped initially by expectations that June will see higher prices prompted by new buying by investment trusts and public institutions. Investors were rotating through laggard issues most of the day. A large number of investment trust funds are expected to be set up in June, partly to catch a flood of employee bonuses.

Investors shopped for bargains below the market average of Y1,504, which was one reason shipping stocks rose.

In Osaka, share prices ended higher, with the OSE average rising 104.45 to 33,119.19 as some 85m shares changed hands.

THE US market was closed yesterday for Memorial Day. In Canada, at mid-session the market was sluggish and mixed with the composite index falling 3.8 to 3,579.70. Cineplex Odeon jumped C$[illegible] to C$16 in active trading.

Roundup

DEVELOPMENTS in China helped Hong Kong recoup some of last week's losses, while Australia benefited from an easing in the local currency. Singapore saw profit-taking.

HONG KONG benefited from bargain-hunting as political events in China appeared more settled, and share prices jumped by almost 3 per cent.

The Hang Seng index climbed 73.54 to 2,845.01 after reaching a five-month low on Friday. Turnover fell to HK$2.04bn from HK$2.52bn.

Blue chips were busy, with Hongkong Land rising 25 cents to HK$9.50 in the day's most active trading. Hutchison Whampoa added 30 cents to HK$10.30.

Hopewell and Trafalgar Housing were suspended, fuelling speculation that Hopewell's one-for-one HK$3.7bn rights issue had fallen through and that Trafalgar would be sold to raise cash. The Wu family has stakes in both the companies.

AUSTRALIA saw demand for resource stocks and currency-related issues as the Australian dollar weakened. The All Ordinaries index added 5.1 to 1,535.9 and turnover reached 89.8m shares worth A$221.7m.

BHP jumped 26 cents to A$8.54, News Corp rose 20 cents to A$14.30 and CRA climbed 12 cents to A$9.

SINGAPORE was constrained by the closure of stock markets in the UK and the US and lost ground in quiet trading. The Straits Times industrial index eased 4.09 to 1,265.49, with institutional investors staying on the sidelines as individuals took profits.

TAIWAN rebounded sharply, lifting the weighted index by 323.23 to a record high of 9,695.67 in the biggest single-day rise this year.

EUROPE

Chemicals and cars boost lively Frankfurt

TRADING was mixed in Europe as some bourses ignored holidays in the US and UK and rose actively while others succumbed to an absence of foreign interest, *writes Our Markets Staff.*

FRANKFURT picked up from a weak start as the strength of the dollar fuelled buying by overseas as well as domestic investors in the chemical and car sectors.

The FAZ index was up 1.21 at 576.57, and the closing DAX showed a gain of 9.63 to 1,365.57 in active volume worth DM4.6bn.

The rise was also based on optimism that the Bundesbank would not raise interest rates again at its council meeting on Thursday. This followed comments by Mr Karl Otto Pöhl, Bundesbank president, that monetary tightening in the past 12 months was beginning to have the desired effect.

Car stock Porsche, which has large exports to the US, benefited from the dollar effect, advancing DM19.50 to DM756.50, while in chemicals BASF gained DM6 to DM313.50.

PARIS saw profit-taking after reaching an all-time high on Friday, with activity restrained by the absence of trading in the US and UK. The CAC General index eased 0.7 to 477.8 while the CAC 40 lost 1.65 to 1,719.27. The OMF 50 index slipped 0.13 to 494.12.

Havas rose FFr12 to FFr981 on both speculative and fundamental demand.

AMSTERDAM had a quiet day, with turnover of only Fl 405m. The CBS tendency index edged up 0.4 to 179.4 as interest focused on dollar earners.

Internationals were mostly firm, with Royal Dutch up Fl 1.30 at Fl 141.80 and KLM up 80 cents at Fl 48.50.

ZURICH saw selective demand in late trading but finished little changed amid interest rate concerns. The Crédit Suisse index eased 0.2 to 550.3.

MADRID kept climbing as investors sought utility stocks and the general index rose 2.56 to 312.69. Volume was somewhat restricted by unconfirmed reports of a possible strike at the exchange today.

MILAN was boosted by enthusiasm for Fiat, whose car division reported a 15 per cent rise in 1988 profits. The group is due to report today.

The Comit index rose 5.78 to 609.18 and Fiat moved up L160 to L9,300.

STOCKHOLM had a thin day's trading with turnover reaching only SKr179m in value. The Affärsvärlden index added 2.8 to 1,180.2.

● South African shares closed lower in quiet trading as the bullion price eased in line with the dollar's rebound.

NOTICE OF A MEETING OF THE HOLDERS
BANK OF HELSINKI LTD. (UNION BANK OF FINLAND LTD.) HELSINKI
ECU 38.500.000 9% Subordinated Bonds Due 1996

A meeting of the holders of BANK OF HELSINKI LTD. (UNION BANK OF FINLAND Ltd.), ECU 38.500.000.- 9% Subordinated Bonds Due 1996 (the "Bonds") will be held at the office of UNION BANK OF FINLAND INTERNATIONAL S.A., 189 avenue de la Faïencerie, Luxembourg, on 6th June 1989, at 2.00 p.m. to deliberate on the following agenda:

AGENDA:

Amendment of the terms and conditions of the Bonds, article "Acceleration of Maturity".

[illegible]

The Board of Management

Fiduciary Trust (International) S.A., Geneva, which opened in 1969 as a wholly-owned subsidiary of Fiduciary Trust Company International, New York, has announced the acquisition of C.F.E.G. - Compagnie Financière d'Etudes et de Gestion S.A., Geneva founded in 1973. Both companies have specialized in the management, on a customized basis, of securities' portfolios for private clients investing internationally.

Both CFEG, which has been renamed "Fiduciary Trust International (Suisse), S.A.," and Fiduciary Trust (International) S.A. have office at 8, rue Saint-Leger, Geneva. Michel de Selys Longchamps and Philippe Dubois have been appointed appointed directors of Fiduciary Trust International (Suisse) S.A. and are serving as general manager and manager respectively of the company.

Fiduciary Trust Company International and its subsidiaries have responsibilities for client investment assets approaching $18 billion equivalent in value and act as custodian for investment assets valued at over $40 billion equivalent. It is known as one of the pioneers of global investment management.

This notice is issued by Fiduciary Trust (International) S.A., a member of the Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA) in the UK. Fiduciary Trust Company International is also a member of FIMBRA. The rules made by FIMBRA and the rules and regulations made under the UK Financial Services Act 1986 for the protection of investors do not generally apply to investment business carried on outside the UK.

THE THARSIS PUBLIC LIMITED COMPANY

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of THE THARSIS PUBLIC LIMITED COMPANY will be held at Nunez de Balboa 120 Madrid 28006 on Friday, 23rd June 1989 at 12.00 noon for the following purposes:

1. To consider and adopt the Report of the Directors and the Accounts for the year ended 31st December 1988 with the Report of the Auditors thereon and declare a final dividend (Resolution No. 1)
2. To re-elect Directors (Resolution Nos. 2-5)
3. To re-appoint the Auditors and to authorise the Directors to determine the remuneration of the Auditors (Resolution No 6)

The dividend if authorised at the Annual General Meeting will be payable on or after 26th June, 1989 as follows:

(1) By dividend Warrant to Registered Shareholders on the Register at 2nd June, 1989.

(2) To Holders of Share Warrants to Bearer on presentation of their warrants at any of the following offices:
Bank of Scotland, 55 Old Broad Street, London EC2P 2HL.
Lazard Freres et Cie, 121 Boulevard Haussmann, Paris.
Banque Generale du Luxembourg S.A., 14 rue Aldringer, Luxembourg.
Banco Santander, 10 Moorgate, London EC2R 6DD.
Banco Santander, 30 avenue de l'Opera, Paris 75002.
Banco Bilbao Vizcaya, 100 Cannon Street, London EC4N 6EH.
Banco Bilbao Vizcaya, 29 avenue de l'Opera, Paris 75002.

[illegible]

BANK OF SCOTLAND,
Registrar Department,
25a York Place, Edinburgh EH1 3EY.

By order of the Board
R N PETERS, Secretary

Registered Office:
136 West George Street
GLASGOW G2 2HF.
25th May, 1989

NOTES

[illegible]

THE ROYAL BANK OF CANADA
US$350,000,000
Floating Rate Debentures due 2005

In accordance with the terms and conditions of the Debentures, the interest rate for the period 31st May 1989 to 30th June 1989 has been fixed at [illegible] per cent per annum. On 30th June, interest of US$[illegible] per US$1,000 nominal amount of the debentures will be due for payment. The rate of interest for the period commencing 30th June 1989 will be determined on 28th June 1989.

ORION ROYAL BANK LIMITED
Agent Bank and Principal Paying Agent

PANTHER LTD
Series A
US$62,500,000
Secured Floating Rate Notes due 1995

secured by first charge over Yen 10,000,000,000 aggregate principal amount of ASLK-CGER Finance N.V. [illegible] per cent. Variable Redemption Amounts Notes due 1995 guaranteed by Algemene Spaar-en Lijfrentekas/Caisse Générale d'Epargne et de Retraite.

For the six months May 24, 1989 to November 24, 1989 the Notes will carry an interest rate of 9.72% p.a. The coupon pertaining to each Note of US$100,000 for the interest period will be US$4,968 and will be payable on November 24, 1989.

Listed on the Luxembourg Stock Exchange

IBJ International Limited
Agent Bank

MERCURY SELECTED TRUST (SICAV)

Registered Office: 10, boulevard Roosevelt, Boîte Postale 408,
L-2014 Luxembourg, Grand-Duchy of Luxembourg. R.C. Luxembourg No. B.6317

NOTICE OF ANNUAL GENERAL MEETING AND OF EXTRAORDINARY GENERAL MEETING

The Annual General Meeting and an Extraordinary General Meeting of Shareholders of Mercury Selected Trust will be held at 10, boulevard Roosevelt, Luxembourg, at 11.00 a.m. and 11.10 a.m. (or as soon as practicable thereafter) respectively on 15th June, 1989 for the purposes of considering and voting upon the following matters:

Agenda of the Annual General Meeting of Shareholders

1. To accept the Directors' and Auditors' reports and to approve the financial statements for the year ended 31st December, 1988.
2. To declare such dividends for the year to 31st December, 1988 as may be recommended by the Board in accordance with the dividend policy of the Company, and to fix their date of payment.
3. To discharge the Directors and the Auditors from their responsibilities for all actions taken within their mandates during the year to 31st December, 1988.
4. To decide on any other business which may properly come before the Meeting.

Agenda of the Extraordinary General Meeting of Shareholders

5. To resolve that consent is given so far as necessary under Article 27 of the Articles of Association to the reorganisation of the fee structure of the Company as described in the Explanatory Note sent to Registered Shareholders with this Notice with such modifications as may be required by any competent regulatory or listing authority.
6. To resolve that Article 4 of the Articles of Association be amended:
   (a) by amending paragraph (3) to read as follows:
   "The Company may invest in transferable securities admitted to official listing on stock exchanges, or dealt in on regulated markets which operate regularly and are recognised and open to the public, in member countries of the O.E.C.D., member countries of the European Community ("Member States"), Brazil, Hong Kong, Malaysia, Mexico, Philippines, Singapore, South Korea, Taiwan and Thailand and may, subject to the limits, invest in newly issued transferable securities the terms of issue of which provide that application be made for admission to official listing on any such stock exchange, or to any such regulated market.";
   (b) amending paragraph (4) to read as follows:
   "The Company may, if the Directors so determine, and subject to the Law, invest 35 per cent. or more of its net assets in transferable securities issued or guaranteed by any Member State, any local authority of any Member State, any member country of the O.E.C.D. or any public international body of which at least one Member State is a member.";
   (c) by adding the following additional paragraph:
   "(5) The Company may, subject to and to the circumstances permitted by the Law, invest in other investment funds recognised by the Law as UCITS provided that in the case of a UCITS linked to the Company by common management or control or by a substantial direct or indirect holding or managed by the Manager or another management company linked in like manner to the Manager, such UCITS has specialised in investment in a specific geographical area or economic sector.";
   in each case with such modifications as may be required by any regulatory or listing authority.
7. To resolve that:
   (a) Articles 1, 2, 6, 7, 12, 13, 14, 15, 16, 17, 21, 27, 28, 31, 34, 35, 37 and 38 be amended;
   (b) Article 32 be deleted, Article 33 be renumbered as Article 32 and Article 34 be divided into two Articles numbered 33 and 34;
   (c) a new Article 38 be added and the remaining Articles (as amended) be renumbered in sequence
   such amendments involving primarily the changes described in the Explanatory Note sent to Registered Shareholders with this Notice and by making such other amendments to the Articles of Association as may be necessary pursuant to the Law or required by any competent regulatory or listing authority.

Voting

Resolutions on the Agenda of the Annual General Meeting of Shareholders and Resolution Number 5 on the Agenda of the Extraordinary General Meeting of Shareholders may be passed by a simple majority of the votes cast thereon at the Meeting with no requirement as to quorum. Resolutions Numbers 6 and 7 on the Agenda of the Extraordinary General Meeting of Shareholders may be passed with a quorum of 50 per cent. of the issued Shares by a majority of 75 per cent. of the votes cast thereon at the Meeting.

Voting Arrangements

In order to vote at the Meetings:

- the holders of bearer Shares must deposit their Shares not later than 9th June, 1989 either at the registered office of the Company, or with any bank or financial institution acceptable to the Company, and the relative Deposit Receipts (which may be obtained from the registered office of the Company) must be forwarded to the registered office of the Company to arrive not later than 9th June, 1989. The Shares so deposited will remain blocked until the day after the Meeting or any adjournment thereof;
- the holders of registered Shares need not deposit their certificates but can be present in person or represented by a duly appointed proxy;
- Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 9th June, 1989. Proxy forms will be sent to registered Shareholders with a copy of this Notice and can also be obtained from the registered office. A person appointed a proxy need not be a holder of Shares in the Company; lodging of a proxy form will not prevent a Shareholder from attending the Meeting if he subsequently decides to do so.

Further Meeting

If a quorum is not present at the Extraordinary General Meeting of Shareholders for the purpose of considering and voting on Resolutions Numbers 6 and 7, a further Extraordinary General Meeting will be convened and held at the same address on 24th July, 1989 at 11.00 a.m. to consider and vote on such Resolutions. At such Meeting there will be no quorum requirement and the Resolutions on the Agenda will be passed by a majority of two thirds of the votes cast thereon at the Meeting.

Information for Shareholders

Shareholders are advised that a draft (which is subject to modification, inter alia, to comply with the requirements of the competent authority and listing authorities) of the detailed changes proposed to the Articles of Association of the Company is available for inspection at the registered office of the Company and at the following places:

S.G. Warburg & Co. Ltd., Paying Agency, 2, Finsbury Avenue, LONDON EC2M 2PA

Creditanstalt-Bankverein, Schottengasse 6, 1010 VIENNA

Commerzbank AG, FRANKFURT/MAIN, DUSSELDORF, HAMBURG

Banque Internationale à Luxembourg S.A., 2, boulevard Royal, L-2014 LUXEMBOURG

Berliner Commerzbank AG, Potsdamer Strasse 125, 1 BERLIN 30

A draft of the Articles of Association as amended will be available for inspection at the Meeting. None of the directors has a service contract with the Company.

Recommendation

In the opinion of the Directors the alterations to the Articles of Association proposed in Resolution Numbers 6 and 7 are in the interests of the Company and its Shareholders and the proposed new charging structure is justifiable. Accordingly, the Directors recommend that all Shareholders vote in favour of the Resolutions set out above.

25th May, 1989 — The Board of Directors

The Business Column

A Japanese lesson in the limits of finance

The quest to unravel the secrets of Japanese manufacturing and apply them on the other side of the world has become one of the most popular pastimes of management consultants.

What is more controversial is whether Western managers have anything to learn from Japanese finance and its financial services industry.

The positive view is held not only by enthusiasts for the wholesale imitation of everything Japanese but also by many academics and politicians of the new make-capitalism-work-better left. They argue that the obsession of the City and Wall Street with quarterly results, dealing profits and takeover bids, has pushed Western managers into a narrow, myopic approach towards investment projects. By contrast, the involvement of Japanese banks in industrial management and their network of long-term relationships has allowed Japanese corporate management to sacrifice short-term profit for long-term market share.

At the other end of the spectrum are those who pour scorn on the lack of sophistication and the blunders of the Japanese financial system. They point to the trillions of yen that Japanese corporate treasurers and investment managers have lost from their investment in US Treasury bonds.

The critics also highlight the rush since 1984 by Japanese companies to issue Eurobond-warrants, worth more than \$100bn, usually on generous terms to investors. This, they say, is a classic example of how wily Western bankers have exploited their naive belief in a free lunch.

The third focus of criticism is on the internal management and low service standards of the supposedly all-powerful Japanese banks: customers are typically kept waiting for 30 minutes or more while all the paper involved in a simple transaction is processed on the spot and even small decisions are referred up the hierarchy.

Equal obsession with the short term

Both views are seriously flawed. Japanese companies are just as interested as Western companies in short-term results and performance although they often focus more on the monthly sales figures and market shares of themselves and their competitors than on profits. And the banks' influence has waned, as companies' borrowings fall and the value of their cash, land and securities rise.

But the critics also exaggerate. The US T-bond losses of the Japanese are small in relation to their enormous assets which could have found few other overseas outlets of sufficient depth and liquidity.

The Japanese have been learning Western financial techniques fast. Five years ago it was difficult to find senior financial officers or investment managers who were even aware of discounted cash flow (DCF) or risk analysis. Today they talk about betas, deltas, hedge ratios and volatility with as much fluency as Wall Street investment bankers.

However, crucial differences remain. Japanese companies have many more engineers and many fewer specialist accountants than British companies. In a few decentralised Japanese companies such as Matsushita, the finance director wields comparable power and employs teams of accountants (albeit with much broader training in marketing and production) to watch over and "navigate" for subsidiaries. But even Matsushita eschews formal DCF capital budgeting procedures. Information on markets, technology and competitors appears to be collected with remorseless energy before investment decisions are made – but there is no attempt to reduce it all to figures.

In other large Japanese companies, the finance director has little role in vetting or vetoing investment decisions. He just has to find the finance to implement decisions made on broader strategic grounds.

A study last year by the London Business School of UK companies' strategic investment decisions concluded that they were only "about 2 per cent to do with finance." Then why do these companies pay so much for advisers and intermediaries from their overgrown financial sectors?

Clive Wolman

INTERVIEW

A crisply laundered takeover victor

Richard Lambert talks to Martin Sorrell, chief executive of WPP

Ashley Ashwood

'A business where creative people can look after their clients and the chores of running the business are left to professional administrators'

Martin Sorrell does not seem to be a man who is easily irritated. To the press, at least, he appears unfailingly polite and willing to accept criticism – even of a hostile kind. "It's a point of view," he says. Or "you've got to take the rough with the smooth."

When he talks, as he frequently does, about matters of grand strategy, he punctuates his remarks with self-deprecatory asides in case anyone thinks he is getting too pompous. It is not at all easy to pin him down.

These qualities have served him well during the past few weeks, during which his company, WPP Group, made a takeover bid for the world's fifth largest advertising agency, the Ogilvy Group. Although it has all ended in sweet agreement, it started off as a hostile battle and Sorrell himself was subject to an extraordinary stream of personal abuse from the Madison Avenue establishment. "Odious little jerk" was not the most offensive of the insults.

Was he upset or angered by all this? "Neither." Has he been annoyed by anything at all in the last four weeks? "Yes – but nothing to do with the business."

How did he square things with David Ogilvy, founder of the US firm and a main source of virulent anti-Sorrell diatribes only days before he agreed to become chairman of WPP itself if the bid went through? "I'm sure he was misquoted," Sorrell answers with an impenetrable smile. "That is what I said to him, and he said 'Yes, I was. I said even worse things about you'."

The relationship between the volcanic Mr Ogilvy and the disarming Mr Sorrell need not be too testing. WPP's formal board meetings are infrequent affairs, and Ogilvy retired to his French chateau years ago. But he still peppers people with memos: Sorrell admits to having received a couple already.

What Ogilvy and everybody else must want to know is why Sorrell decided to mount a second enormous bid only two years after acquiring the J. Walter Thompson agency, and what he will do with the business now he has got it. Sorrell rehearses his arguments in the manner of one who has been through it all many times before. WPP's idea since he moved in just four years ago has been to build a business where the creative people can look after their clients and the chores of running the business are left to professional administrators like Sorrell.

The business opportunities, he says, arise from the fact that the big clients of advertising and marketing services companies have become much more complex in terms of function and more diverse in terms of geography. WPP wants to be able to meet their needs by offering a top quality service in the areas where it is needed.

Although they try to pretend otherwise, even the largest advertising agencies are quite small in comparison with their main customers. This matters, because they have to meet the needs of clients that have much larger resources than they have themselves. In other words, if the customer pops up in south-east Asia, the agency has to do the same or risk losing the business.

However, Sorrell shows a rare spark of displeasure in dismissing the thought that WPP is trying to set up a one-stop shop. That is not the idea at all. The group is deliberately set up in such a way that all its businesses are run on an independent, autonomous basis, and client companies can pick and choose whatever service they want, wherever and whenever they like. He also admits that there are no economies of scale in this business – rather the opposite – and that arguments about the development of global marketing are often overdone. So why own two big agencies, rather than just one?

Here the argument gets a little airy fairy. Just as major manufacturers in the consumer goods sector have developed different brands to compete in the marketplace, so there are different segments in the advertising market which have to be attacked with different "brands" like JWT or Ogilvy and Mather. They are not just businesses: their names represent a certain culture and a particular set of values which have a value in their own right.

You may think this is a little insubstantial, but WPP's auditors don't: the JWT brand names have been revalued in the current set of accounts, turning shareholders' funds from a negative to a roundly positive figure. No doubt the Ogilvy "brands" will eventually get the same treatment.

In any event, the main job now is to get ahead with running the business and making the concepts work. Although there are still some areas of weakness, Sorrell says that, by and large, WPP now has the coverage it needs. Little is given away about what he is actually going to do with Ogilvy: it seems that it will be run as an independent business under existing management, and kept quite separate from J. Walter Thompson. But Sorrell believes that the acquisition's profit margins can be boosted significantly from their current levels, and he says there is clear scope for gaining new business by way of cross-referrals from one part of the group to another.

Ogilvy and JWT, he adds, have a complementary client base, which should minimise the potential conflicts of interest arising from common ownership, and they fit well together geographically. Ogilvy is relatively strong in Europe and Australasia, which are both seen as attractive growth areas.

In the manner of the business school graduate that he is, Sorrell talks without a blush about things like "excellence" and of being leaner and meaner, and his conversation is sprinkled with references to academics like Theodore Levitt or David Maister. The best firms, it seems, are divided into hunters and farmers, and you must decide yourself whether you wish to be a streetfighter or a high priest. Or something like that.

Sorrell's choice of business heroes is intriguing: the list includes the Lords Weinstock and Hanson, Sir Jules Thorn, and Warren Buffett, the sage of Omaha, who is one of America's most successful investors.

He also speaks with admiration of James Gulliver, one of his early employers, whom he describes as one of the few people able to combine entrepreneurial vigour with management vision.

What about Saatchi & Saatchi, where he served as finance director for nine years before striking off on his own with WPP? They are not mentioned in the list of heroes, and although Sorrell says he does not want to draw direct parallels between Saatchi and WPP, he does some delicate knife work when it comes to describing the differences between the two groups.

Thus "our strategy is more focused; we don't have a consulting operation." The way the businesses are run is different, too. "We are a bit more involved . . . by which I mean there is less absentee-landlordism." He also says that so-called "earn-outs" – future payments for past acquisitions – represent a much bigger part of Saatchi's business than of WPP's.

Saatchi has been right out of favour in the City lately, and Sorrell himself is no longer everyone's favourite pin-up. WPP's shares reacted badly to the Ogilvy bid, which represents an enormous mouthful for the UK group and which is being partly financed by a substantial issue of preference shares and subscription warrants. But Sorrell is philosophic. He is not pleased about the recent share price performance, but then he is not in business on a three, four or five year view: he is going for the long haul. "It would be churlish of me to complain about it (the share price) now, having benefited from it two years ago," he says. "If you believe this is right for the company and right for the clients, you have to go ahead and do it."

A lot of City favourites have come unstuck lately, sometimes by going for a deal too far. Despite the recent weakness of the shares, Sorrell is still held in high regard and he says he does not lie awake at night worrying about the examples of the fallen heroes. But in the same breath, he refers to some research that was done on what made particular athletes successful. The most common factor was fear of failure.

After an hour of more or less impertinent questions (which follows an overnight flight from New York) Sorrell remains totally unruffled, not a hair out of place, shirt sleeves crisply laundered. You can see why he gets them so het up on Madison Avenue: anyone less like the stereotype figure of a creative adman it would be difficult to imagine.

PERSONAL FILE

1963-68	educated Cambridge University and Harvard Graduate School of Business Administration
1968-69	Consultant Glendinning Associates, Westport, Connecticut
1970-74	Vice president Mark McCormack Organisation
1975-77	Director James Gulliver Associates
1977-86	Group financial director Saatchi & Saatchi
1986-	Group chief executive WPP Group
1988	Non-executive director Budgens

One in the eye for all newspapers

JUSTINIAN

Restitution is the underlying principle of awards damages in English law. So far as money can possibly secure it, the law intends that the victim of a wrongdoing should be restored to the state he or she would have been in had the wrong not been committed.

In only a few instances does the law sanction an award that is intended not merely to compensate the victim but to punish, and thereby mark the socially unacceptable nature of the wrongdoer's conduct.

That exceptional rule indisputably explains the record amount of £600,000 awarded to Mrs Sonia Sutcliffe against the publishers of Private Eye.

No one could pretend that the astronomic award is nothing more than commensurate with Mrs Sutcliffe's loss of reputation. A large slice of the £600,000 represented one in the eye for all newspapers (indiscriminately lumped together in public perception) that nowadays attract much public opprobrium.

Yet the volume of protest should have been stifled a long time ago. For nearly two decades, judges and lawyers have urged that the right of juries in libel actions to give punitive damages to plaintiffs in certain circumstances – a right which is embedded peculiarly in English law – ought to be removed.

Broadly speaking, juries are told that if they think that the publisher of a libel has knowingly and wilfully peddled untruths for his own profit, punitive damages over and above an amount appropriate to compensate for injury to reputation may be added for good measure. Once a jury is properly told when they may inflict punishment on a defamer the sky is almost the limit.

Juries, lacking experience of the law and the proper boundaries of punishment, not infrequently are swayed by emotional considerations which a judge is trained to put out of his mind. And there is no effective appeal against the punishment.

All that a reviewing court can do is to quash the jury's verdict if it thinks that the punishment is more than 12 reasonable people could possibly have awarded. The Court of Appeal is powerless to substitute its own award. Another jury has to be empanelled to perform the task.

It is not as if the wrongdoer, quite apart from an award of exemplary damages, is free from punishment in unsuccessfully defending a libel action. A heavy, indeed often exorbitant punitive element lies in the costs system of litigation. Unlike most other systems the loser normally has to pay to the winner the latter's expenses of going to law.

In 1972, the House of Lords in a famous libel action pointed out the objections to the power of juries to award punitive damages. The power confuses the functions of the civil and of the criminal law. And it imposes a penal sanction without even the safeguards of the criminal justice system.

The power of juries to award punitive damages confuses the functions of the civil and of the criminal law.

It is no answer to say that sympathy should not be wasted on people who behave outrageously. Are we wasting sympathy on dangerous criminals when we insist on proper legal safeguards before we convict and sentence them?

Furthermore, juries are apt to forget that in awarding damages they are not making any contribution to the local rates or to the revenues of central government. The fine that they are imposing comes not to swell the coffers of the state but in the form of an unexpected windfall to the victim.

Given that the law of Scotland does not recognise punitive damages, and the judicial distaste for its extended life in England, there is little wonder that a departmental committee in 1975 should have firmly recommended its instant demise. Two years later, the Royal Commission on the Press noted that this was the most important recommendation about damages that the committee had made.

The invitation, if not entreaty, to legislate away a provision that potentially inflicts too severe a blow on publishers of defamatory matter continues however to fall on deaf politicians' ears.

The report of the 1975 departmental committee has been inexcusably allowed to lie fallow. In 1982, the Government announced that it had no plan for implementing the committee's proposals.

For nearly four years, from 1971 to 1975, 10 experts from a range of professional disciplines laboured over the law, practice and procedure relating to actions for defamation (one of its members is now the senior Law Lord, Lord Keith of Kinkel). The committee produced a report of nearly 200 pages and a draft bill of 41 clauses. Its verdict on the law of defamation may not have been shaped in the contemporary style of radical reform, but it certainly formed a logical progression to its predecessor in the laudable aim of simplifying the law.

In announcing last week that the Lord Chancellor had initiated a review of the law of defamation, to work in tandem with the Government's review of "privacy and related matters", the Government has given the impression of prompt response to an unacceptable piece of recently discovered unreformed law. Tardiness in implementing the sensible recommendations of independent committee reports is no doubt a facet of all governments. The law of libel is just one of the many casualties of political inactivism.

But instead of resisting legislative proposals recently prompted and designed to protect the individual from the outcrop of irresponsible journalism, the Government would do better to ensure the proper balance between the public right to freedom of the press and the rights of the private citizen. And that means paying due attention to well-thought-out proposals for reform of the law relating to the media.